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CONTENTS

ABBREVIATIONS	3
ACKNOWLEDGEMENTS	4
ABSTRACT	5
INTRODUCTION	6
I CHAPTER. Theoretical Framework	12
<i>1.1. The Realist IR School of Thought</i>	12
<i>1.2. The OBOR Initiative through a realist perspective</i>	14
II CHAPTER. Key features of the Belt and Road	18
<i>2.1 Main stages in the establishment and development of the Belt and Road Initiative</i> ...	18
<i>2.2. Strategic motives for the initiation of the OBOR Initiative</i>	27
<i>2.3. The main challenges in the realization of the OBOR</i>	40
III CHAPTER. China-EU relations in the framework of the OBOR	44
<i>3.1. Dynamics of political, economic and trade relations between the EU and China until 2013</i>	44
<i>3.2. Interaction of the PRC and EU institutions within the OBOR</i>	50
<i>3.3. “16 + 1” format as a platform for bilateral cooperation between the PRC and the countries of Central and Eastern Europe</i>	57
<i>3.4. Bilateral cooperation between the PRC and the countries of Western and Southern Europe within the OBOR</i>	68
<i>3.4.1. Germany</i>	71
<i>3.4.2. France</i>	74
<i>3.4.3. Britain</i>	76
<i>3.4.4. Italy</i>	77
<i>3.4.5. Portugal</i>	79
<i>3.4.6. Spain</i>	80
<i>3.4.7. Netherlands</i>	81
CONCLUSION	83
BIBLIOGRAPHY	87

ABBREVIATIONS

OBOR – One Belt One Road initiative

EU - European Union

PRC - People's Republic of China

EEU - Eurasian Economic Union

TEN-T -Trans-European transport network

ETNC - European Think-tank Network on China

CEEC - Central and Eastern European Countries

AIIB - Asia Infrastructure Investment Bank

SRF - Silk Road Fund

KKH - Karakoram Highway

IMF - International Monetary Fund

ADB - Asian Development Bank

CNPC - China National Petroleum Corporation

XUAR - Xinjiang Uyghur Autonomous Region

NATO - North Atlantic Treaty Organization

BOMCA - Border Management Programme in Central Asia

BOMNAF - Border Management Northern Afghanistan

CADAP - Central Asia Drug Action Programme

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ABSTRACT

China is undergoing a period of economic transition after a long period of double digit growth. In light of this economic slowdown, the fifth generation of leadership has promoted new policy initiatives aimed at increasing both economic growth and political stability. One Belt One Road (OBOR) initiative is a historical initiative which connects the people over the world. It facilitates to connect people through road ways, air ways and water ways, coordinating policies of various governments, financial integration through cross border business, productivity and regional energy security. The OBOR was welcomed by the European Union (EU) when it was announced in 2013 because European governments saw opportunities for collaboration with China on building infrastructure across Eurasia. Europeans expected the links to increase trade in both directions. They also hoped that the large funding resources that China promised to allocate to BRI projects could complement their own investments in infrastructure. However, later European attitudes towards the Chinese initiative became more skeptical when political and economic implications emerged.

The research focuses on the OBOR initiative, analyzes risks and challenges associated to its implementation, trying to understand China's motivations behind the realization of this ambitious project through the realist IR perspective.

INTRODUCTION

The relevance of the topic. The Belt and Road initiative (hereinafter referred to as the Belt and Road, OBOR or BRI) is a large-scale geo-economic project, which is an essential part of China's modern foreign policy. The core of the project is land, sea trade and transport communication networks geographically covering the countries of the Eurasian continent as well as Africa. Successful implementation of the project will allow China not only to accelerate the pace of economic growth and solve internal problems associated with the situation in country's western provinces, but also to fill the vacuum of leadership on the world stage, which was partially caused by the US president Donald Trump's policy and the focus of Europe on its internal problems. Even if in his four-year presidential term Donald Trump will be able to regain US geopolitical world leadership and Europe's internal problems will be resolved (although at the moment this seems unlikely), China will not miss the opportunity to take advantage of this situation and strengthen its position on the world stage.

The European direction is a key link in this project: most of the OBOR transit routes, regardless of the length and type of transport, lead to the countries of Europe and the European Union (EU). Therefore, it is undoubted that China is interested in strengthening and expanding partnership in this area. Part of the BRI railway routes leading to European countries passes through the territory Russia and the countries of the Eurasian Economic Union (EEU), which have embarked on a pairing of their own infrastructure projects with the OBOR since 2015. It should also be noted that the relevance of the topic is also due to the fact that there is a lack of national scientific research on this aspect of EU-China relations. In this connection, from the perspective of modern scientific knowledge, the study allows to determine the reasons for its appearance, to trace the development, and also to identify the impact on the dynamics of relations between the European Union and China in the context of international relations on the Eurasian continent in particular and on the world stage as a whole.

The purpose of the thesis is to identify specifics and problems of interaction/confrontation between the EU and China through the BRI.

The tasks of the thesis. The purpose of the thesis involves the implementation of the following tasks:

- to consider the history of the development of the OBOR from its announcement to the present;
- to highlight main strategic motives for the establishment of the OBOR;
- to identify main problems of the implementation of the project;
- to study the dynamics of political and trade-economic relations between China and the EU in the period before and after the announcement of the project;
- to identify main formats of cooperation between China and Europe on the implementation of the project, their features and problems.

The object of the study is the EU-China relations.

The subject is the interaction/confrontation between the EU and China within the framework of the "One belt, One Road".

The hypothesis of the thesis is that China sees the world and pursues policy within the framework of the OBOR through realist lenses.

The research limitation. The research is limited to the extent that the OBOR is a long-lasting project that will be fully realized by 2050.

The scientific novelty. On the basis of generalization and study of extensive statistical and scientific-historical material, a comprehensive analysis of all levels of interaction/confrontation between Europe and China within the implementation of the BRI is presented.

Analysis of the literature. The research topic necessitated the consideration of a wide range of sources. In the process of working on the dissertation, the author used published sources of various types in Russian, Chinese and English.

First of all, these are the regulatory acts of the EU and China. They can be divided into two subgroups. The first includes directives, regulations of the European Commission and resolutions of the European Parliament on the development of infrastructure and the EU economy, as well as on the problems of interfacing Trans-European transport network (TEN-T) and OBOR. On the Chinese side, this subgroup includes various decrees and legislative acts of the People's Republic of China's (PRC) government in the implementation of the BRI. The second subgroup includes agreements between EU institutions and the PRC on cooperation in the framework of the OBOR, as well as multilateral and bilateral agreements between China and European countries in the implementation of economic and infrastructure projects.

The second group of sources consisted of documents of a political nature. These include multilateral declarations concluded following the results of the EU-PRC and "16 + 1" summits, as well as memoranda of understanding on the implementation of the project between China and individual European countries.

The third group included statements by officials. Fragments were used from interviews and speeches by Chinese President Xi Jinping and Foreign Minister Wang Yi, statements by European Commission President Jean-Claude Juncker, budget commissar Gunter Ettinger, etc.

The fourth group includes journalistic materials published in a number of periodicals. Among foreign publications can be distinguished "People's Daily", "China Daily", "EKD", "Xinhua", "South China Morning Post", "World Politics", "Foreign Affairs". An analysis of these sources made it possible to determine business and government representatives' positions in China and the EU regarding the BRI.

The fifth group of sources included statistics related to economy, trade and infrastructure. Data from Eurostat and the Ministry of Statistics of the PRC were used to analyze the dynamics of trade cooperation between the EU and China.

Data on specific infrastructure and investment projects, their cost and terms of implementation were obtained from the websites of the European Commission, the Ministry of Foreign Affairs of the PRC, the Asian Bank for Infrastructure Investments, and the official website of the project.

Among European authors, the topic of EU-China cooperation/confrontation in the framework of the BRI has been studied in more detail. However, there is no unanimous opinion regarding the Chinese project, which causes extensive discussions in the European expert community about the goals, specifics and problems of implementing the project in Europe.

One of the major centers for studying the EU-China relations is the European Think-tank Network on China (ETNC), established on the basis of the French Institute of International Relations in 2014. In 2016 and 2017 the center prepared two extensive reports on the interaction of the European countries and China in the framework of the OBOR. The 2016 report provides an overview of ongoing projects in Europe, as well as recommendations for the EU on further cooperation with China. 2017 report provides an overview of Chinese investment in various sectors of the economy of Central and Eastern Europe. Another think tank, The Italian Institute for International Political Studies, published a report in 2017 entitled “China’s Belt and Road: a Game Changer?” The report provides a comprehensive overview of the Chinese initiative, as well as recommendations for the EU on a strategy for engaging with China. The works by Richard Ghiasy and Zhou Chiayi, researchers at the Stockholm International Peace Research Institute, also devoted to the topic of economic and investment cooperation between China and the EU.

The articles by experts of the China-CEE Institute located in Budapest devoted to the topic of interaction between the Central and Eastern European Countries (CEEC) and China in the framework of the OBOR. In 2018, the center published a collection of articles entitled “16 + 1 Cooperation and China-EU”, dedicated to aspects of cooperation between China and the countries of the

region. In this collection, it is worth highlighting the articles by Xavier Richet and Andreea Budenay, who discuss the main problems of interaction in the “16 + 1” format and criticize China’s approach to the cooperation.

In general, European authors are skeptical of the Chinese initiative, noting that the win-win strategy announced by China will actually benefit only China. This point of view is reflected in the works of Alice Ekman and Camille Brugier, experts of the French Institute of International Relations, who express the opinion that the European countries lack the political will to act with China as equal partners. A different position is taken by Esteban Michael and Miguel Otero-Iglesias, the Spanish experts of the Elcano Royal Institute. In the joint article, they note that Europe should not miss the opportunities offered by the Chinese project, especially in the field of infrastructure development.

Chinese authors are more supportive of the BRI and its impact on the dynamics of relations with the EU. Among the major centers it is worth highlighting Peking University and the Shanghai Academy of Social Sciences. Thus, Chinese experts Zhao Minghao and Zhang Hongzhou argue that the OBOR is an open and transparent project that aims at multilateral and comprehensive development. According to the authors, the skepticism of Western countries is primarily due to their unwillingness to discard the Cold War logic and the concept of a zero-sum game. However, the authors also note that China needs to work on the project’s image in order to overcome the negative perception generated by Western media.

A collection of articles by experts from the S. Rajaratnam School of International Studies (RSIS) of Singapore is devoted to security issues in the implementation of the Chinese project. The authors indicate the main motives for the appearance of the BRI. In particular, the problem of Uyghur separatism, as well as the potential blockade of the Strait of Malacca by unfriendly states like the US and its allies is noted.

Nevertheless, it is worth considering that from the perspective of the Chinese government, social sciences are means of contributing to the protection of the country's political, economic and social interests. Most of the works are aimed at legitimizing the existing interests of China, and in publications it is almost impossible to find a point of view that goes beyond the framework of official politics and rhetoric.

The structure of the thesis is determined by the purpose and objectives of the study. The work consists of an introduction, three chapters (included total nine sub-chapters) conclusion and bibliography.

Research methodology. The realist IR perspective establishes the theoretical background for analyzing China's motivations behind the creation of the OBOR initiative. The paper uses qualitative and quantitative research to understand the main motivations of the project. In view of the wide-ranging economic and political implications of the OBOR, the level of analysis is national, regional, and global.

I CHAPTER. Theoretical Framework

1.1. The Realist IR School of Thought

Realism is based on the perception that the countries strive for power in an anarchical state of affairs. As Stephan M. Waltz considers realism depicts international affairs as a struggle for power among self-interested states and is generally pessimistic about the prospects for eliminating conflict and war” (Stephen M. Walt, 1998). Realism can be divided into two parts according to states’ different behavior in the anarchical world: defensive realism and offensive realism. On one hand, defensive realists like Kenneth Waltz believe that the world order is anarchical in nature, but claim the fact that states tend to preserve their position in the international system instead of maximizing their power. Therefore, states aim to secure themselves rather than seek supremacy. On the other hand, offensive realists like John Mearsheimer, debate that state seeks to maximize power and security under the assumption that all international affairs are a zero-sum game (J. Mearsheimer, 2001). As a result, states continuously compete each other for regional hegemony, excluding the possibility of having “peer competitors” (J. Mearsheimer, 2005).

Realists start with the assumption that the state is the basic actor that we have to take into account in order to analyze a given situation: of course there are other players that need to be taken into consideration (the IMF, the UN or the Commission), but the nation-state is the one that holds extensive control on the political elite and the most influential pressure groups, most importantly on the economic level (Bustelo, 2003).

Whenever we have to deal with states, we have to consider them as being in a relationship that is dominated by anarchy: no state is formally superior to another and each one of them will try to determine its own national policy according to the constraints that others impose on them. In the end, states are concerned with survival (which entails political and territorial integrity) and this

is why they take into account both absolute and relative gains: sometimes gaining is not enough, it must be also ensured that the opponents remain in a situation of subordination (Krasner, 2002). This is also why, on the economic level, it is way easier (or at least possible) to act in accordance with a state that does not represent a threat in any way: a big and a small actor have higher chances of cooperating, while whenever two giants are fighting there is always the need of not falling prey of the other. It can be also said that influence over world economic affairs is maintained through a strong security concern: this means that, in order to become a great economic power, a state must either be able to protect itself or to live under the protection of a third state (Gilpin, 2001).

In such a situation, the term state-centric is of high relevance: it also means that each state will try to pursue a policy that fosters the well-being of its citizens according to the possibility that the international arena and the markets provide to it (Gilpin, 2001): this can be seen as a neo-mercantilist way of dealing with the economic field which leads to the assumption that the only economic progress that matters is the one achieved at the national level (or with ramification on the national level) and that politics will necessarily shape every relevant aspect of the economic field (Simon-Belli, 2002). It is safe to say that from a realist point of view trade can be seen as an option among others in order to gain power vis-à-vis the remaining players: a state might either limit the availability of products or technology available for third parties or it can threaten the same ones by menacing to change the rules of the trading game. Both threats are credible only if they are asymmetrical, meaning that the state pursuing such policies will lose way less in comparison to the one that we consider the target and strong contrasts will rise between powers of the same magnitude (Krasner, 2002). In the end, states will try to maximize their relative gains by putting the accent on getting the upper hand in strategic sectors that can be easily converted into real power while at the same time being able to

portrait that in the domestic field as an advantage for society at large (Cafruny, Magnus Ryner 2009).

Testable outcomes:

- A Realist perspective prescribes that any cooperative endeavor will result in a mutual success if and only if both actors manage to gain from such relationship in the same proportion without jeopardizing their relative power.
- If no actor is able to dominate the other, there will be a minimal level of integration useful only to keep every alternative available, but nothing more

1.2. The OBOR Initiative through a realist perspective

The realist perspective bases its evidences on China's national interest in securing natural resources, China's attempt to increase its military capabilities, and China's desire to challenge the international order. Despite China's peaceful rise doctrine in the international community, realist scholars hold that the OBOR initiative represents China's attempt to bring South Asian and European countries under its sphere of influence, exclusively advancing a Sino-centric agenda. Indeed, realist scholars believe that there are significant evidences that support the view of China orchestrating a grand strategy. According to the realist view, the OBOR initiative and its infrastructure developments improve only China's national interest. Second, the OBOR project allows China to bring countries under its sphere of influence, establishing regional hegemony. Third, the OBOR through its new institutions - Asia Infrastructure Investment Bank (AIIB) and Silk Road Fund (SRF) - seek to challenge the Bretton Woods international system status quo.

Starting from the first assumption, realists emphasize that OBOR enhanced investments in South Asia and Europe mirror China's increasing need for

natural resources. As data show, China's demand for imported oil, natural gas, and coal is expected to rise by 60% by 2010 and 2035. In response to this need, China is working on securing supply lines connecting China to the Middle East and Africa. In particular, China is trying through additional economic corridors to overcome the Strait of Malacca since whoever controls that strait can exercise a stronghold on China's supply energy lines. Through a realist lens, China's vision of diversifying supply lines aims to advance exclusively Chinese national interest rather than promoting local growth in its neighboring countries. However, China's strategic actions in securing supply lines does not fully support the realist position unless there are clear evidences that Chinese-led infrastructures exploit countries' economies taking part in the OBOR project. The Karakoram Highway (KKH) in Pakistan and maritime constructions in Sri Lanka entail some of these evidences, demonstrating that Chinese-led infrastructures could also produce unintended effects both on a regional and national level. In Pakistan, for instance, the KKH has not produced the expected outcomes in the Gilgit-Baltisan region, failing in promoting significant growth in the local economy. According to a report of the Institute of Defense Studies and Analyses in New Delhi, "the per capita per annum income of Gilgit-Baltisan is only one fourth of Pakistan's national average and more than 1.3 million of inhabitants still live below the poverty line". Similarly on the national level, statistics show that "when Sino-Pakistani trade reached 7\$ billion mark in 2009, the share of trade via KKH was miniscule 4%." In Sri Lanka, the scenario is almost the same. Chinese-led infrastructures have produced little economic benefits when compared to the high debt Sri Lanka owes to China. As these infrastructures have produced small growth, the newly elected Sri Lanka President, M. Sirisena has officially relinquished the idea of joining the OBOR project, driving the country towards a closer relationship with India and the United States. Aside from considering the OBOR as tool to promote only Chinese national interest, realist scholars also believe that China is trying

through its infrastructures developments to expand its sphere of influence in South Asia and Europe, dictating economic and political policies. In addition, India is concerned that China's initiatives could interfere in its sphere of influences. Indeed, China has succeeded in surpassing India in trade relations with Pakistan, Bangladesh and Burma, enjoying good economic relations with nearly all countries. Through a realist lens, China's increased influence in South Asia and Europe through its infrastructures developments allows China to pressure countries that do not conform to OBOR principles. As the Center for American progress outlines, the OBOR invested "in countries that have both a strong relationship with China and hold popular support for Chinese investments". Furthermore, some realists argue that China is economically supporting countries that could challenge India's sphere of influence in the region. According to this realist assumption, Beijing's strong relationship with Islamabad enables Pakistan to contain India's influence in the region "under a Chinese security blanket". On the basis of this view, realists also highlight China's strategy of prioritizing other areas of national interests, while constraining India's influence through the strategic help of Pakistan. Although there are some evidences that see the OBOR as a strategy to enhance China's political influence in the region, it is still difficult to understand if China is seeking a strategy aimed at creating political and economic dependencies and directly undermining India's interest in the region.

Moving to the global level, China's newly conceived financial institutions, the AIIB and the SRF, represent through a realist lens a challenge to the status quo of the international system. China's decision of creating multilateral organizations originated from U.S. Congress failed attempt to ratify reforms in the voting power system of the International Monetary Fund (IMF). In addition, the incapability of providing sufficient funds in the region by Japan and U.S. led Asian Development Bank (ADB), pushed China to come up with a multilateral solution. According to realist scholars, the creation of these new institutions

constitutes an attempt to challenge the regional and global order, advancing the strategic influence of OBOR-led infrastructures through the allocation of funds. Related to this concern is the division of voting shares in the AIIB. While China's voting power in the ADB and IMF is around 5% and 4%, respectively, China holds 26.06% in the AIIB. As a result, realist scholars see in the increased voting power China's intention to allocate funds, exclusively on the basis of its national interests. In line with this assumption, the United States has not joined the AIIB yet, pointing out the lack of transparency and high standards of the bank. As President Obama officially stated in a press conference "we don't want to be participating in something and providing cover for an institution that does not end up doing the right thing to the people. Because when these countries borrow money even from a development bank...they are most of the time on the hook for paying that money back". However, those in favor of promoting the multilateral bank argue that these statements are hypocritical since the United States had repeatedly blamed China for not carrying any international responsibilities. The realist view still considers the OBOR and its financial institutions as a mean to rewrite international norms and challenge the US-shaped Bretton Woods system.

II CHAPTER. Key features of the Belt and Road

2.1 Main stages in the establishment and development of the Belt and Road Initiative

China's "One Belt, One Road Initiative" or "Silk Road Economic Belt and the 21st Century Maritime Silk Road" was first presented during President Xi Jinping's official visit to Kazakhstan in the fall of 2013. Speaking at Nazarbayev University, Xi Jinping pointed out that "the ancient Silk Road has gained new strength and new look over the past 20 years" and proposed "to apply the new model of cooperation and joint efforts to form the economic belt of the Silk Road on the Eurasian continent"¹. In his speech, Xi Jinping formulated the main aspects of the initiative. These include: political cooperation, construction of a unified infrastructure, strengthening trade relations, enhancing currency flows and development of relations between nations. However, the Chinese President did not mention specific actions and practical steps to implement these aspects of cooperation, limiting himself to saying that China is ready to any suggestions from interested countries. Nevertheless, many politicians and researchers had already agreed that this initiative has a significant geostrategic nature. A month later, during his speech at the Indonesian parliament Xi Jinping proposed the establishment of the New Silk Road as a continuation of the Continental New Silk Road. These two proposals were subsequently expressed together under the title of "The Belt and Road Initiative" as a proposition underpinning a China-led global development agenda. The Belt and Road Initiative has since been constantly mentioned in the speeches of President Xi as a keyword to define the vision of China for "shared beliefs and norms of conduct for the whole region" (Xi Jinping, 2014). The project involves 71 states that jointly account for over 30% of world GDP, 62%

¹ President Xi Jinping's speech at Nazarbayev University. Available at <http://kz.china-embassy.org/rus/zhgx/zxdt/t1077192.htm> (Accessed: 22 June 2019).

of population, and 75% of estimated power reserves (Freund, C. and Ruta, M., 2018). The BRI consists primarily of the Silk Road Economic Belt, which links China to Central and South Asia and Europe, and the New Maritime Silk Road, which links China to Southeast Asia, the Gulf Countries, North Africa, and Europe². To connect other nations to the Belt and Road Initiative, another six economic corridors have been defined.

There are different views regarding the BRI. On the one hand, a number of Western researchers describe the project as a new geopolitical strategy of China comparable to the Marshall Plan, which threatens Western hegemony³. Thus, in February 2019 *Foreign Affairs* published an article analyzing the methods and tools used by China to achieve its goals. According to the author, in the political sphere China acts through a combination of covert actions and means of public diplomacy⁴. China has established hundreds of Confucius Institutes at universities around the world in order to form an appropriate discourse and foreign-language media to spread the views of the Chinese Communist Party. The author further claims that Chinese intelligence agents even recruited Chinese citizens studying abroad as informers, whose duties included the transmission of information about what Chinese students and professors say about their country. China sought to have a more direct influence on politics in Australia and New Zealand, secretly donating money to preferred candidates. This narrative is similar in many Western media that contributes to the formation of a negative image of China and its project in these countries.

On the other hand, some characterize the initiative as China's new economic strategy aimed at further integrating its domestic market into the global one, as well as a new diplomatic strategy for expanding China's foreign relations with

² *Mapping the Belt and Road initiative: this is where we stand*. Available at <https://www.merics.org/en/bri-tracker/mapping-the-belt-and-road-initiative> (Accessed: 22 June 2019).

³ Ekman, Alice. *China in Asia: What is behind the new silk roads?* – Paris & Brussels: French Institute of International Relations, 2015. – P. 2.

⁴ Mastro, Oriana Skylar. *Stealth superpower: How China hid its global ambitions*. // *Foreign affairs*, 2019. – № 98(1). – P. 32.

countries along the Belt and Road⁵. It is worth noting that the Chinese authorities characterize BRI mainly as an economic initiative aimed at mutually beneficial cooperation and social and economic benefits that it can bring to China and other participating countries. According to China, Western countries guided by the principles of geopolitics for analysis of economic initiatives, are beginning to think in terms of the Cold War, which only hinders cooperation between countries and the world development⁶. It is characteristic that the Chinese authorities, as a rule, call the BRI "strategy" at home and "initiative" abroad.

Since the BRI is a multidimensional and complex project, its research through only one aspect impedes the understanding of the entire integrity of the initiative. Therefore, to understand the logic behind the BRI, it is necessary to analyze the internal and global economic context within which the project is located.

First of all, today China no longer has just a domestic economic policy due to the growing influence in the global economy. After decades of rapid economic growth China has become the world's second largest economy. In 2007, it also became the world's largest exporter and second largest importer⁷. Its import market is roughly equal to the import markets of other BRICS countries (Brazil, Russian Federation, India, China and South Africa), Japan and Turkey combined. The Chinese economy has become a leader in other areas. In 2016 investments in China were four times higher than the level of investments in Japan, as well as investments in the United States and the European Union by

⁵ Hongzhou, Zhang. Building the Silk Road Economic Belt: Problems and Priorities in Central Asia // Singapore: RSIS Policy Report, 2015. – P. 3.

⁶ Си Цзиньпин: менталитет "холодной войны" и "игры с нулевой суммой" является устаревшим, *Russian.news.cn*, 2019, online, Internet, 9 Jul. 2019. Available: http://russian.news.cn/2018-04/10/c_137100248.htm.

⁷ National Bureau of Statistics of China >> Annual Data, *Stats.gov.cn*, 2019, online, Internet, 9 Jul. 2019. Available: <http://www.stats.gov.cn/english/Statisticaldata/AnnualData/>.

35% and 25% respectively⁸. China's share in metals markets is more than 50% of global demand. Thus, at present China's decisions regarding its own monetary and fiscal policies have an impact on the rest of the world, from the West to the BRICS and Africa. And it is not surprising that any large-scale domestic economic project in China can directly or indirectly influence the entire global economy, since the ties of other countries with China through trade and foreign direct investment have expanded significantly over the past decade. Thus, according to *The Economist*, a potential crisis in China is the 4th largest threat to the global economy in 2019⁹. Due to this growing influence, China cannot stand aside when forming a new international order.

Before Xi Jinping came to power, the leaders of China implemented their policies in accordance with Deng Xiaoping's motto: "China needs to hide its capabilities, wait for time, achieve results where possible". However, after the change of leadership in 2012 there was a significant shift in the strategic thinking of the Chinese authorities from the mentality of the "small country" to the mentality of the "big country"¹⁰. The new leadership realized that the country has no other choice than to cooperate with its main partners on the implications of the rapid growth of Chinese influence. Otherwise, China could become an object of deterrence on the part of the largest countries. In connection with this change, Chinese politicians began to focus equally on international as well as domestic markets and to plan domestic reforms in the context of global perspectives. For example, in the decision on reforms after the

⁸ Impact of China on Europe and Central Asia // *World bank*, 2019, online, Internet, 9 Jul.2019.Available:<http://documents.worldbank.org/curated/en/136351467990956476/pdf/104605-REVISED-ECA-2016.pdf>.

⁹ Cause for concern? The top 10 risks to the global economy 2019 // *The Economist*, 2019, online, Internet, 9 Jul. 2019. Available: <https://qps.ru/V93ks>.

¹⁰ China's Belt and Road: a game changer? / Edited by Alessia Amighini. – Milan: The Italian Institute for International Political Studies, 2017. – P. 20.

3rd Plenum of the 18th Party Congress, it was intended to “adapt to the new situation of globalization”¹¹.

Second, after nearly 35 years of high growth China is entering a “normal stage”, with a projected growth of around 6.5% per year¹². The search for new growth drivers and the transformation of the economic system is an urgent task. To achieve this goals, at the end of 2013 the Central Committee of the Party made an ambitious decision on reforms in order to achieve a more efficient and more open market economy. One of the key areas of reform is the further opening of the Chinese economy to the world, especially through the development of China’s internal and border regions, the development of new transport routes and the strengthening of infrastructure links between neighboring countries and regions of the country¹³. This will help attract foreign companies to China and expand the presence of Chinese companies abroad. Certain steps for this were taken in July 2018, when China halved the list of sectors closed to foreign investment - there are 48¹⁴. In March 2019, the deputy head of the PRC State Committee for Reform and Development Ning Jizhe said that in 2019 China would again expand the list of economic sectors open to foreign investment.

Moreover, the traditional structure of the Chinese economy, which relied on large investments in fixed assets and the export of large volumes of cheap goods, can no longer ensure the development of the country. Currently, a new model of supporting economic development is required by creating a larger number of high-tech industries with high added value, which is a difficult and lengthy process. About three decades ago, the economies of South Korea,

¹¹ Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening, *China.org.cn*, 2019, online, Internet, 9 Jul. 2019. Available: http://www.china.org.cn/china/third_plenary_session/2014-01/16/content_31212602.htm.

¹² Всемирный банк понижает прогнозы экономического роста КНР, *Ru.gbtimes.com*, 2019, online, Internet, 9 Jul. 2019. Available: <http://ru.gbtimes.com/novosti/vsemirnyy-bank-ponizhaet-prognozy-ekonomicheskogo-rosta-kr>.

¹³ Decision of the Central Committee of the Communist Party of China on Some Major Issues Concerning Comprehensively Deepening, *China.org.cn*, 2019, online, Internet, 9 Jul. 2019. Available: http://www.china.org.cn/china/third_plenary_session/2014-01/16/content_31212602.htm

¹⁴ Китай расширит список секторов, открытых для инокапитала, *ЭКД*, 2019, online, Internet, 9 Jul. 2019. Available: <http://ekd.me/2019/03/kitaj-rasshirit-spisok-sektorov-otkrytyx-dlya-inokapitala>.

Taiwan, and Hong Kong faced the same problems as domestic labor costs rose sharply. They moved most of their labor-intensive manufacturing enterprises to eastern coastal areas of China and continued to modernize the domestic industrial structure. These steps not only helped South Korea, Taiwan, and Hong Kong overcome a number of economic problems, but also provided opportunities for mainland China to achieve industrialization and modernization, as well as create many jobs. The BRI will not only help China transform its own economic system, but also create economic development opportunities for all developing countries along the Belt and Road.

Third, 10 years after the 2008 financial crisis, the world economy still has a number of problems, which led to a number of international events that shook the world community: from the refugee crisis in Europe and Brexit, to the turbulent American presidential elections and subsequent changes in US policy; from the civil war in Syria, religious extremism in Indonesia to economic depression in Latin America. Most of these social and political phenomena have economic reasons. Therefore, the search for new long-term growth drivers is essential for a sustainable recovery of the world economy and ensuring a long-term peace. However, this will take years of hard work. For example, developing countries in Asia have enormous market potential, but their economic growth is limited by an underdeveloped infrastructure and a lack of funds to catch up¹⁵. Despite the intensification of bilateral trade, investment and other economic ties with China, for the developed countries of Europe the huge potential of relations with China are obvious. This is mainly due to restrictions, prohibitions and other institutional barriers¹⁶. In this regard, the “Belts and Ways” initiative is not aimed only on the creation of trade and infrastructure networks, but also on the search for a harmonious and comprehensive

¹⁵ Asia's \$26tn infrastructure gap threatens growth, ADB warns | Financial Times, *Ft.com*, 2019, online, Internet, 9 Jul. 2019. Available: <https://www.ft.com/content/79d9e36e-fd0b-11e6-8d8e-a5e3738f9ae4>.

¹⁶ China - EU trade, European Commission, *Ec.europa.eu*, 2019, online, Internet, 9 Jul. 2019. Available: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>.

development strategy based on the existing strategies of the participating countries. This will reduce the impact of institutional barriers that restrict trade and investment between countries.

Fourthly, thanks to a series of reforms, including an anti-corruption campaign, the new government led by Xi Jinping restored power over economic and diplomacy policies. This was achieved by reducing the number of members of the Politburo Standing Committee from 9 to 7 and excluding the security apparatus and propaganda from the process of forming the most important decisions in the country. These changes made it possible to take the BRI beyond the interests of various power groups in the country. The lead agency for promoting the initiative was created in February 2015 under the leadership of Zhang Gaoli, a deputy prime minister of the first rank and a member of the Standing Committee of the Politburo, whose work focused on economic issues. This body is accountable to the National Commission on Development and Reform, which is China's leading macroeconomic management agency¹⁷. In addition, the Ministry of Commerce and the Ministry of Foreign Affairs, local provincial and municipal authorities with individual implementation plans, as well as public and private corporate actors and investors are involved in the implementation of the BRI. Certain financing mechanisms for the BRI have already been created, including the Asian Infrastructure Investment Bank, the New Silk Road Fund, as well as banking structures such as the China Development Bank, the New Development Bank and the Export Import Bank of China. Other major financial sources include China's sovereign wealth fund and its foreign exchange reserves. It is characteristic that in the implementation of the initiative do not attend the Ministry of Defense and Security. This shows that the focus of this initiative is on economic issues.

¹⁷ China sets up leading team on Belt and Road initiatives, *China.org.cn*, 2019, online, Internet, 9 Jul. 2019. Available: http://www.china.org.cn/business/2015-03/30/content_35189945.htm.

In 2015, the Government of the People's Republic of China declared a comprehensive government program titled "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road". This is the most important official document regarding the BRI that clarified the general goals of integration. The five main objectives of the BRI are to promote: political coordination, interconnection of infrastructure, uninterrupted trade, free movement of capital, strengthening proximity between nations. These goals make it possible to fully disclose the main directions, methods and forms of the "New Silk Road".

First, priority is given to political coordination, which according to the authors of the project will serve as a guarantee of the final results. This is confirmed by the intense activity of the Chinese leadership in strengthening intergovernmental cooperation with countries involved in the project. So, the first major Silk Road Forum organized by China to raise the status of the project in the eyes of the international community was held on May 14-15, 2017. This event allowed Xi Jinping to demonstrate China's connecting role in the modern world, especially against the background of events in the United States, where Donald Trump announced the "America first" policy, and then withdrew from the Trans-Pacific Partnership¹⁸, as well as the situation in the European Union, which is gradually losing its influence in the international arena. China and participating countries reaffirmed their commitment to building an open economy, comprehensive trade, and countering all forms of protectionism. The forum was attended by over 20 heads of foreign states, about 100 foreign ministers, as well as leadership of 50 international organizations. The next forum is planned to be held in April 2019, and the number of potential participants should increase several times.

¹⁸ США вышли из Транстихоокеанского партнерства: что дальше?, *BBC News Русская служба*, 2019, online, Internet, 11 Jul. 2019. Available: <https://www.bbc.com/russian/features-38729182>.

Secondly, in addition to the construction of the joint Eurasian Land Bridge, a proposal was made to ensure the systemic interconnectedness of the infrastructures of the countries participating in the project, while coordinating plans for the construction of infrastructure facilities and harmonization of technical standards systems. The complex nature of communications systems, which include not only the railways and highways themselves, but also the pipeline network for the transportation of energy resources, as well as the cross-border network of fiber-optic communication lines is emphasized. An example of such infrastructure construction is the Nurly Zhol economic program in Kazakhstan aiming to create a new and develop the existing infrastructure of the country, which will allow Kazakhstan to fully integrate into the Chinese project¹⁹.

Thirdly, the importance of the trade and investment area, which Beijing sees as the basis of the entire project, is highlighted. The concept involves discussion with the BRI countries matters relating to the formation of free trade zones, reduction of tariffs and duties, as well as the implementation of universal customs procedures. The same applies to the field of investment. However, China stresses that it does not aim to export China's state capital as the sole source. Instead, it seeks to stimulate domestic and foreign private capital, including for small support industries. However, although the "Perspectives and Actions" mentions market mechanisms, in practice the project is financed by large financial institutions and investment groups, as well as Chinese state-owned enterprises. This is largely due to the fact that they are more inclined to take risks for the construction of important infrastructure, and in some cases are recipients of investment protection from foreign countries. Major projects will be implemented mainly in the framework of bilateral, but also multilateral formats.

¹⁹ Стратегии и программы Республики Казахстан — Официальный сайт Президента Республики Казахстан, *Akorda.kz*, 2019, online, Internet, 13 Jul. 2019. Available: http://www.akorda.kz/ru/official_documents/strategies_and_programs.

Finally, “Strengthening proximity between nations” is presented in the document by a multi-vector cooperation in the humanitarian sphere: education (10,000 scholarships of the PRC government), culture and art, tourism, health care, youth policy, science and technology.

2.2. Strategic motives for the initiation of the OBOR Initiative

Although economic cooperation is usually formed by the government on the basis of mutually beneficial cooperation, there are points that the project will be used as an instrument of China’s political and economic influence on the participating countries. However, in the absence of any official confirmation these statements so far reflect one of the possible development ways. Despite these uncertainties, it remains obvious that the BRI serves for the implementation of both domestic and foreign policy goals. To date, this initiative has gone beyond its original concept, including diplomatic, domestic, socio-economic, financial, geopolitical interests and based on previously existing governmental programs and initiatives.

More specifically, the main motives for the initiation of the BRI were indicated in the “Blue Book of Non-Traditional Security Threats” - 2014 report prepared by the Chinese Institute of Contemporary International Relations, which is directly related to China’s highest government circles²⁰. The report lists the following aspects:

- 1) "Protecting China’s national economic security";
- 2) Promoting energy security through the construction of alternative transportation routes;
- 3) Promoting border security through the development of China’s western regions;

²⁰ [余晓峰. 非传统安全蓝皮书：中国非传统安全研究报告 (2014-2015). – 浙江: 浙江大学, 2015. – 144 页] (Ю. Сяофэн. Синяя книга нетрадиционных угроз безопасности: отчет об исследованиях в области безопасности (2014- 2015). – Чжэцзян: университет Чжэцзян, 2015 год. – 144 с.)

- 4) Combating the "three threats" inside and outside the country through economic development and the redistribution of wealth;
- 5) Assistance to mitigate geopolitical frauds under the leadership of the United States;
- 6) "Creation of a new multilateral dialogue system" and "a new international security system", which will strengthen China's national strength and soft power.

Let us consider in more detail each of the above points. The main motive for the initiation of the BRI is to ensure economic security and development. With the stagnation of the global economy, as well as the downturn in the growth of the national economy (experts predict the growth rate of the Chinese economy at 6.5% in 2019, the worst figure since 1990), the BRI can become a tool to support China's economic growth by expanding markets. China will be able to ensure the sustainability and balance of its economy by stimulating regional demand for industrial and agricultural products. Thus, the BRI is a tool by means of which China will be able to expand its economic influence in the region at the same time creating new transport routes for the supply of goods in the event of trade wars, sanctions (primarily from the US), as well as a ban on sea transit through the South China Sea. According to experts of the Stockholm international peace research institute, the option of confrontation with the United States and its allies is quite likely²¹. First of all, it is connected with the intentions of China to finally solve the Taiwan question, as well as the problem of attribution of islands in the South China Sea. Such actions will cause dissatisfaction with the United States, as confirmed by President Trump's

²¹ Ghiasy, Richard. The Silk Road Economic Belt: Considering security implications and EU-China cooperation prospects. – Stockholm: Stockholm international peace research institute, 2017. – P. 5.

statement concerning about China's actions related to China's construction of military facilities in South China Sea²².

Therefore, one of the goals of China is to create alternative transportation routes through land bridges from Central Asia, Southeast Asia and Pakistan. These routes mainly pass over land through sovereign states and, thus, will be least affected by possible sanctions and trade wars with the United States.

With the help of OBOR, large state-owned enterprises in construction and other industries that suffer from an oversupply of investment will now have more alternatives abroad. Although foreign projects may not be as large-scale as domestic ones, they would still make it possible to increase the competitiveness of such enterprises. In addition to these practical goals, OBOR will allow China to get rid of the image of the traditional manufacturer of low-cost goods by selling products high-tech manufacturing industries, as well as nuclear energy technologies and high-speed rail lines. As labor costs increase in China, the initiative will help facilitate the withdrawal of labor-intensive and low-profit industries abroad.

Through the Belt, China will also be able to increase the flow of foreign investment, thereby gaining the status of a global development leader. Existing development institutions in Western countries are not able to solve the problem of large-scale infrastructure deficit in the Asian region, which is estimated at about 4 trillion US dollars²³. China's willingness to solve this problem puts it in the position of a leader that promotes regional development, relations between countries, and also makes it a guarantor of stability in the region. Chinese aid, which basically takes the form of loans from banks controlled to one degree or another by the Chinese authorities, is not similar to the aid from Western countries that put certain conditions. In case of China, there are no requirements

²² Трамп обеспокоен действиями Китая в Южно-Китайском море, *РИА Новости*, 2019, online, Internet, 13 Jul. 2019. Available: <https://ria.ru/world/20170405/1491507400.html>.

²³ Asia's \$26tn infrastructure gap threatens growth, ADB warns, *Financial Times*, *Ft.com*, 2019, online, Internet, 13 Jul. 2019. Available: <https://www.ft.com/content/79d9e36e-fd0b-11e6-8d8e-a5e3738f9ae4>.

for the implementation of market reforms or the democratization of the political system. However, China demands loyalty from recipient countries on a number of issues, including non-recognition of Taiwan's independence²⁴. Such economic cooperation could expand the range of China-friendly countries, as well as, if successfully implemented, expand the influence of China's soft power and strengthen neighborhood diplomacy.

According to the "Excellent Prospects", the central driving forces of China's economic policy are: the search for new uses of surplus capital; elimination of yuan's insufficient internationalization. These goals can be achieved by including the Central Asian countries in the BRI. According to experts, regions such as Central Asia with relatively underdeveloped markets may offer increased private capital yields and additional revenues for public capital²⁵. Moreover, the development of deeper economic relations with the Central Asian countries is quite easy, as the Chinese and Central Asian economies complement each other: China imports raw materials (energy, ferrous and non-ferrous metals, and minerals) and is a large and alternative exporter of consumer goods and finished products for the economies of Central Asian countries that do not have access to the sea.

Speaking about the investment component, it is worth noting that in contrast to investments in more developed countries; a number of developing countries along the OBOR provide the opportunity to use yuan as a reference currency, that is, the currency used in international trade and financial transactions. This will allow China to get the same currency advantages as the US dollar. The BRI, if successful, would allow China to translate economic power and capital into political influence.

²⁴ Mastro, Oriana Skylar. Stealth superpower: How China hid Its global ambitions. // Foreign affairs, 2019. – № 98(1). – P. 32.

²⁵ Hongzhou, Zhang. Building the Silk Road Economic Belt: Problems and Priorities in Central Asia // Singapore: RSIS Policy Report, 2015. – P. 3-6.

The second driving force of the OBOR is energy security. Between 1989 and 2011 China had an average economic growth rate of 10%, and since then its demand for energy had risen accordingly. In the 1980s, the country moved from self-reliance to dependence on external sources about half of its today's internal consumption.

In the early 2000s, China increased its energy imports from Russia thirty times, in order to reduce its dependence on the Middle East and Africa south of the Sahara. This was done for two reasons: first, the transportation of energy from these two regions took place along sea routes, which were sometimes attacked by pirates, as well as delays due to administrative reasons. Secondly, both regions suffer from political instability, which can lead to a shortage of resources up to the complete cessation of transportation.

Xi Jinping's visits to four Central Asian countries in September 2013 were aimed at strengthening cooperation on energy and security issues. China being the world's largest importer of oil with a growing demand for natural gas is constantly trying to diversify its sources of energy supply. To achieve this, China is ready to make significant but risky investments. In particular, the Pakistani Gwadar port, which is leased by China and is part of the BRI's southern direction, can become an instrument for maintaining China's access to energy resources. It is expected that the transportation of oil to the inner cities of China from Gwadar will shorten the delivery time by 85 percent compared with the route through the Strait of Malacca. However, it should be noted that this route is associated with topographical problems, as well as security threats caused by insurgents in Pakistan²⁶.

Russia remains one of the main oil suppliers to China and has tremendous potential for gas exports, as evidenced by the \$ 400 billion contract signed by the countries in May 2014 for the supply of gas from Eastern Siberia, and the

²⁶ Китай получил в аренду на 40 лет пакистанский порт Гвадар, *Regnum.ru*, 2019, online, Internet, 13 Jul. 2019. Available: <https://regnum.ru/news/economy/2266039.html>.

framework agreement signed in November 2014 on the development of a second gas supply route from Western Siberia to Xinjiang. The first deliveries are scheduled to begin in December 2019, which is almost a month ahead of schedule²⁷.

At the same time, Chinese energy companies, such as CNPC (China National Petroleum Corporation), are seeking to expand their presence in Central Asia (in particular, in Kazakhstan and Turkmenistan), since this region has become an important supplier of energy resources for China. Gas pipeline from Turkmenistan through Uzbekistan and Kazakhstan was commissioned in 2009 and currently supplies over half of the natural gas imported to China. Over the next years it is planned to expand the pipeline and double the amount of gas imported through this route. At the same time, for the first time oil began to flow to China from Kazakhstan via a pipeline in 2006, and in the future it is planned to expand these through deliveries from Caspian fields. The gas pipeline connecting the offshore gas fields in Myanmar with Yunnan Province was built in 2013 and runs parallel to the oil pipeline, which should serve as an alternative transit route for crude oil coming from the Middle East and Africa.

Thirdly, the OBOR aims to develop the western provinces. Since the days of Deng Xiaoping and the beginning of the policy of openness, the main task for the Chinese government is reducing the uneven development of regions in the country. The priorities are poor provinces in the west and in the center of the country, starting with those suffering from deep ethnic tensions (including Xinjiang and Tibet). The model based on the development of cities by the sea — special economic zones run by Deng Xiaoping — cannot be applied in these remote inland provinces. Consequently, Beijing hopes to develop these provinces by transferring industry from the eastern provinces to inland areas and

²⁷ Поставки газа из России в Китай по "восточному" маршруту могут начаться раньше намеченного срока, *Russian.news.cn*, 2019, online, Internet, 13 Jul. 2019. Available: http://russian.news.cn/2019-03/06/c_137873036.htm.

promoting cross-border trade²⁸. Twenty-four provinces, special autonomous regions and municipalities were identified in the documents as relevant areas for construction and cooperation within the BRI. The governments of other provinces had published their own integration plans by October 2015. Indeed, in recent years, the internal subjects of China including the government and enterprises have been increasingly involved in the integration processes in the framework of the project. For example, in May 2015 the Guangdong Province, one of the richest coastal provinces, presented 68 investment projects worth more than \$ 55.4 billion in energy, agriculture, fisheries and manufacturing. Their implementation is scheduled for the period from 2015 to 2020²⁹. In particular, Guangdong seeks to realize these projects by deepening its cooperation with Hong Kong and Macao, which have impressive international commercial and financial advantages. The construction of the sea zone “The Guangdong - Hong Kong - Macao Greater Bay” and the strengthening of the construction of ports in 15 coastal cities, including Shanghai and Guangzhou, as well as in smaller cities are envisaged for this purpose. The rich Fujian province is also defined as the main zone of the Maritime Silk Road.

Another striking example is the southern province of Yunnan, which gradually under Hu Jintao became an economic bridge to Southeast Asia, especially to the Greater Mekong Subregion. The autonomous region of Ningxia in western China with a Muslim population of about 2.17 million people has great chances of becoming an international center for Islamic banking and finance, strengthening China’s cooperation with Arab countries. It is expected that within ten years, the volume of Sino-Arab trade will reach 600 billion dollars. The Chinese authorities are paying particular attention to the Xinjiang Uygur Autonomous Region, which is considered the “main region” and major

²⁸ Ekman, Alice. China in Asia: What is behind the new silk roads? – Paris & Brussels: French Institute of International Relations, 2015. – P. 8.

²⁹ 中国（广东）自由贸易试验区总体方案, *Yidaiyilu.gov.cn*, 2019, online, Internet, 14 Jul. 2019. Available: <https://www.yidaiyilu.gov.cn/zchj/zcfg/36744.htm>.

economic center, connecting China with other Eurasian markets. Xinjiang borders at least eight countries and connects the region with the Indian Ocean through the China-Pakistan Economic Corridor, which is an important link in the southern direction of the project³⁰.

Stability and prosperity in neighboring countries would help accelerate economic growth and strengthen social stability in Xinjiang, where the problem of separatism is acute, and which borders on such unstable states as Afghanistan and Pakistan. Speaking of Xinjiang, it is worth noting that it occupies the 25th place out of 29 provinces in terms of welfare and is among the least developed regions of China³¹. The majority of the population of the province is Uyghur Muslims - ethnic minority that has long claimed territorial independence. There have been several terrorist attacks in China in recent years, the largest of which was the attack in Urumqi on May 22, 2014, which resulted in the death of 39 people and more than 90 were injured³². To preserve its territorial integrity, the Chinese government has taken measures to combat what it calls the "Three Threats" (religious extremism, separatism and terrorism). The desire to ensure the development of the province and reduce the dissatisfaction of the local population led to the change in Beijing's "stability first" policy, introduced in 2010 year, on a strategy of accelerated regional economic development. Part of this strategy involves promoting export of goods produced in Xinjiang to the Central Asian countries. According to Chinese Foreign Minister Wang Yi, economic cooperation can help to address the deep-rooted causes of instability and radicalization in the underdeveloped Asian countries, which, according to China, are located on the periphery of the global system. Although the causes of

³⁰ Xinjiang's Construction Plan for Development of a Transport Center on the Silk Road Economic Belt from 2016 to 2030, *Yidaiyilu.gov.cn*, 2019, online, Internet, 14 Jul. 2019. Available: <https://eng.yidaiyilu.gov.cn/zchj/dfgg/25503.htm>.

³¹ Statistical Communiqué of the People's Republic of China on the 2015 National Economic and Social Development, *Stats.gov.cn*, 2019, online, Internet, 14 Jul. 2019. Available: http://www.stats.gov.cn/english/PressRelease/201602/t20160229_1324019.html.

³² Террористы зарезали 33 человека на железнодорожном вокзале в Китае, *Российская газета*, 2019, online, Internet, 14 Jul. 2019. Available: <https://rg.ru/2014/03/02/china1-site.html>.

extremism do not always depend on economic well-being and tend to be more context-sensitive, China's actions certainly deserve attention, and the OBOR can contribute to "buffer" of more stable states around China. Xinjiang's foreign trade amounted to \$ 27.56 billion in 2013; the volume of trade with five Central Asian countries exceeded \$ 19 billion and reached 70% of the total foreign trade turnover of Xinjiang Uyghur Autonomous Region (XUAR)³³. The largest partner of Xinjiang in 2014 was Kazakhstan, which accounted for about 46% of the foreign trade. This trend shows Kazakhstan's desire to attract the overwhelming part of the continental freight traffic from Asia to Europe, to increase the volume of transit cargo from 117 million tons in 2014 to 170 million tons in 2020 and to increase revenues from Eurasian transit from \$ 800 million to \$ 2 billion in 2020 and \$ 10 billion in 2050³⁴. Given the growing exports of the province, most of which are already going to the Central Asian countries, the creation of an economic belt of the Silk Road would make it possible to increase exports from Xinjiang, thereby guaranteeing further economic development in the region. According to 2018, the province's foreign trade turnover increased to \$ 43 billion, while Kazakhstan ranked first with a volume of \$ 15 billion³⁵.

Fourthly, the OBOR is closely connected with the more active position of the Xi Jinping administration on regional security issues. According to the "New Security Concept Asia" in 2014, China is interested in creating a new order in the field of security in Asia through multilateral cooperation. This makes it possible once again to be convinced of Beijing's desire to reconsider its position in international relations and consolidate the status of a world power, which

³³ Объем экспорта и импорта частных предприятий в СУАР вырос на 7.7, *Rg*, 2019, online, Internet, 14 Jul. 2019. Available: <https://regnum.ru/news/economy/1753755.html>.

³⁴ В 2017 году Синьцзян выделит 200 млрд юаней на строительство автодорог, *Russian.news.cn*, 2019, online, Internet, 14 Jul. 2019. Available: http://russian.news.cn/2017-01/28/c_136017244.htm.

³⁵ Xinjiang foreign trade with B&R countries rises in 2018 - Xinhua | English.news.cn, *Xinhuanet.com*, 2019, online, Internet, 14 Jul. 2019. Available: http://www.xinhuanet.com/english/2019-02/15/c_137824227.htm.

plays a much larger role in determining the agenda. However, this concept goes beyond traditional common safety issues. It is based on the primary role of development, the key components of which are communications and infrastructure. At the same time, the evolution of the OBOR itself is likely to force China to move away from its traditional non-interference diplomacy and commit itself to increased political participation and security cooperation with the states participating in this initiative.

The PRC's government is also concerned about a possible "domino effect", when political instability in neighboring states may spill over into its western provinces. China's concern was evident in 2005 during the Tulip Revolution in Kyrgyzstan and the May 2005 Andijan Uprising in Uzbekistan. Strengthening relations with Kazakhstan, Kyrgyzstan and Tajikistan, the three countries that border restless Xinjiang province, is fundamental to Beijing for both economic and ethnic reasons - for Beijing, providing the growth of a province's welfare guarantees stability and security. In addition, Central and South Asia are areas to which Beijing pays special attention, given the changing security challenges at the western borders of China, which, in particular, is connected with the withdrawal of the North Atlantic Treaty Organization (NATO) troops from Afghanistan at the end of 2014. Thus, the OBOR fits into the Chinese agenda on expanding its engagement with regional states on development and security issues in Asia.

Fifth, the basis of the OBOR initiative is infrastructure development in the region. Since its announcement, at every meeting between the Chinese leader and his regional colleagues focused on "interconnectedness" and the creation of cross-border infrastructure projects. Investment growth is most noticeable in this sector, and introducing new financing instruments in the form of the Asian Infrastructure Investment Bank, the Silk Road Fund, etc., as well as the recapitalization of the largest banks (for example, the China Development Bank) to finance regional infrastructure projects, this trend will only increase.

So, in February 2019, China announced the list of 300 large construction projects for the next year, 100 of which relate to the field of infrastructure construction³⁶. For Beijing, this rapid infrastructure development plan has several goals. First of all, China wants to develop interregional infrastructure and transport networks (ports, road and railways), which over time could enhance the exchange of goods within the region and most importantly the delivery of Chinese goods to European markets by land as is an alternative route. There is already a direct rail freight line, opened in May 2013, connecting China with Poland and Germany - average travel time is 16 days, which is three weeks faster than shipping goods from China's eastern provinces. There is also a more complex project for the long term, namely the construction of high-speed transcontinental rail lines between China and Europe³⁷.

In addition, China also creates its own network of ports. Chinese firms are increasingly involved in projects for the creation of this kind of infrastructure abroad (Pakistan, Sri Lanka, Bangladesh and other countries) and the inclusion of these projects in the "New Maritime Silk Road". China understands well what the development of transport infrastructure is and gradually strengthens the material and technical capabilities of the country, which ultimately can become a reliable geostrategic foundation.

Despite the absence of any official maps of the BRI, there are number of economic corridors by land and sea, which include both used routes, and potentially new ones. These include³⁸:

1. China-Mongolia-Russia Economic Corridor. Includes two economic corridors. One begins in northern China, passes through Hohhot, Inner

³⁶ Пекин обнародовал список 300 крупных строительных проектов на этот год, *Russian.news.cn*, 2019, online, Internet, 14 Jul. 2019. Available: http://russian.news.cn/2019-02/28/c_137857451.htm.

³⁷ European Commission Press release - EU-China Summit: deepening the strategic global partnership, *Europa.eu*, 2019, online, Internet, 14 Jul. 2019. Available: http://europa.eu/rapid/press-release_IP-18-4521_en.htm.

³⁸ Mapping the Belt and Road initiative: this is where we stand | Mercator Institute for China Studies, *Merics.org*, 2019, online, Internet, 14 Jul. 2019. Available: <https://www.merics.org/en/bri-tracker/mapping-the-belt-and-road-initiative>.

Mongolia, and reaches Mongolia and Russia. Another corridor starts in Northeast China, passes through Manchuria and reaches Chita, Russia. Both pass through the Trans-Siberian Railway connecting China with Europe.

2. The New Eurasian Land Bridge. Economic corridor divided into three parts, which connect Lianyungang, Jiangsu Province, with the port of Rotterdam in the Netherlands. In the future may be connected to Japan, South Korea and Europe via Lianyungang. There is a road project from Iran and Russia to Hungary through Kazakhstan. Covers over 30 countries. The northern route originates in the capital of XUAR - Urumqi, passes through the territory of Kazakhstan, where it is branched into two parts: one branch goes through Aktobe and Uralsk, where it bypasses the Caspian Sea from the north, and then integrates into the transport communications of Russia along the route China-Kazakhstan-Russia-Belarus-Europe. The second branch of the northern route follows through the Khorgos checkpoint, which is the largest road border crossing in the western part of the country and constantly opens for border crossing. Then, bypassing Central Asian countries, as well as Russia, goes to the Caspian Sea through Kazakhstan. Includes regions rich in oil and various mineral resources that will serve as a source of energy for China. The central route is an important part of the OBOR, representing the second most important direction of continental transport of goods. Allows ensuring the transportation of export cargoes from the countries of the Asia-Pacific Region and China to Europe and Persian Gulf. The central route in the direction of China-Kazakhstan Turkmenistan-Iran-Turkey-European countries will provide direct access to the PRC and three Central Asian countries to Europe, to the major trading ports of Bandar Abbas in the Persian Gulf and Chahbehar in the Gulf of Oman. The southern part is a 3,000-kilometer route connecting Kashgar, Xinjiang

Uygur Autonomous Region with the port of Gwadar in Pakistan. In addition to the development of the port of Gwadar, an agreement between China and Pakistan was reached on broad cooperation in areas such as energy, infrastructure and industry.

3. The China-Indochinese Peninsula Economic Corridor. Starts in Nanning, Guangxi Zhuang Autonomous Region and Kunming, Yunnan Province, and ends in Singapore. China has entered into a free trade agreement with ASEAN and leads the development cooperation of the Greater Mekong Subregion. However, the economic corridor faces great difficulties due to tensions in the South China Sea.
4. The Bangladesh–China–India–Myanmar Economic Corridor. Through this economic corridor China can develop ties with Bangladesh and India, with those it historically has not had close connections.
5. The 21st Century Maritime Silk Road. Consists of routes from the South China Sea and the Indian Ocean to Europe and America, as well as routes from the South China Sea to Latin American countries having access to the South Pacific. China will concentrate its investments in 15 port cities, including Shanghai, Tianjin, Ningbo and Zhoushan in order to create the Maritime Silk Road.

Last but not least, in addition to investments in transport, telecommunications and energy infrastructure, Beijing is also trying to export its model of industrial parks in various countries along the BRI: in India, Belarus (Chinese-Belarusian Industrial Park near Minsk), Kazakhstan (Kazakh-Chinese Agricultural Scientific Industrial Park of the Silk Road in the Zhambyl region), and also seeks to create similar projects in Sri Lanka and other countries of the region. This is not a new idea: China has already tried to export projects of industrial zones to other parts of the world (for example, to Egypt), and under Xi Jinping these aspirations have intensified many times, despite questions about the

effectiveness and investment attractiveness of such zones, which do not always bring benefit.

2.3. The main challenges in the realization of the OBOR

Despite China's optimism regarding the OBOR, today, Beijing has faced a number of problems in Europe and Central Asia. It's worth starting with the fact that the BRI is seen by many as a tool to achieve diplomatic and strategic goals through the use of economic power. This causes concern among the countries of the region, as it is believed that the initiative will strengthen China's influence on them. Countries such as India, Japan, and the United States view OBOR as a threat to their regional interests. Although China seeks to downplay the strategic aspects of the initiative, many researchers agree that the BRI is a response to US policy in Asia over the past decades.

The Chinese leadership pays close attention to how the initiative is perceived in the world, and adjusts its approach accordingly. During the Silk Road Forum, Xi Jinping repeated many times that "OBOR is not a geopolitical project of the Cold War era, but, on the contrary, opens up new ways for mutually beneficial cooperation"³⁹. Nonetheless, OBOR is a complex project and geopolitical challenges will be a serious obstacle to its implementation. For example, Central Asia, which is a key component of the project, is politically and in the area of security a volatile region with serious internal conflicts caused by unresolved border, water and energy disputes, regional rivalry and deep distrust. The implementation of the Maritime Silk Road is even more complex due to the situation in Southeast Asia and contradictions in the South China Sea.

Last but not least, problems are caused by the activities of financial institutions responsible for project's implementation. This is mainly due to the functioning of the Asian Infrastructure Investment Bank (AIIB). According to the expert of

³⁹ Си Цзиньпин: менталитет "холодной войны" и "игры с нулевой суммой" является устаревшим, *Russian.news.cn*, 2019, online, Internet, 16 Jul. 2019. Available: http://russian.news.cn/2018-04/10/c_137100248.htm.

the Russian Institute for Strategic Studies Ivetta Frolova, China by developing investment projects of the AIIB will primarily pursue its own goals⁴⁰. This bank, in which only China in fact has the right to “veto” with its 26% capital, cannot be considered an international institution in the full sense, and it is more correct to regard the AIIB as a Chinese bank with some international participation. The expert considers that the only reason for the participation of European countries in them is the urgent need for a “new push, a new economic force and an engine that could pull of Europe’s economy”. Another important problem to be solved is the dependence of enterprises on government loans. In January 2019, China’s state-owned banks provided record loans to enterprises in the amount of 477 billion dollars, regardless of profitability.⁴¹

Some researchers also believe that already in the early stages of the implementation, the project faces problems of a partial restriction of state sovereignty, ensuring national interests and features of the political systems of the participating countries⁴². Chinese transactions often take place behind closed doors, based on building ties with the political elite, which is suspicious of both lower-level officials and ordinary citizens. This leads to protest movements among the local population. Thus, the transfer of the port of Hambantota in Sri Lanka for rent to China led to mass protests in 2017-2018⁴³. At the end of 2013, China financed the construction of the first oil refinery in Kyrgyzstan, freeing the country from complete dependence on Russia in this area. However, in 2014, the plant was suspended for several months due to demonstrations by

⁴⁰ Фролова, И. Ю. Китайский проект «Экономический пояс Шёлкового пути»: развитие, проблемы, перспективы // Проблемы национальной стратегии. – 2016. – №5. – С. 54.

⁴¹ China banks lend record \$477bn new loans in January, *Gulf-Times*, 2019, online, Internet, 16 Jul. 2019. , Available: <https://www.gulf-times.com/story/622316/China-banks-lend-record-477bn-new-loans-in-Jan>.

⁴² Securing the Belt and Road initiative / Edited by Alessandro Arduino. – Shanghai: Shanghai Academy of Social Sciences, 2018. – 311 p.

⁴³ Sri Lankans Protest Against Its Government's Leasing of a Major Port to China, *www.theepochtimes.com*, 2019, online, Internet, 16 Jul. 2019. Available: https://www.theepochtimes.com/sri-lankans-protest-against-its-governments-leasing-of-a-major-port-to-china_2657586.html.

local residents, who demanded the liquidation of the plant, as it pollutes the environment.

One of the urgent problems is the transport security. Although Chinese state-owned enterprises are expanding their international capabilities, they are still not able to provide adequate security, since a number of countries along routes either unstable, or they have ethnic and religious tensions. In turn, investors lack legal protection in their operations in some countries, and infrastructure and personnel are exposed to political risks and violence.⁴⁴

Speaking about “connections between people”, it is worth noting its less effective implementation. Despite the establishment of Confucius institutes in many universities of the world, as well as expert-analytical centers on relations with China, many people still have a negative image of the country. In addition, there is an acute shortage of specialists with knowledge of Chinese and customs procedures, which impedes the implementation of the project. The Asian Society report states that “Beijing should focus on expanding its cultural and charitable activities in Central Asia and Europe, promoting student exchange programs and investing in projects outside energy sector”. In such a situation, Beijing should encourage the spread of Chinese culture through the promotion of Chinese language, culture and history. It is worth doing this not only through official state channels, but also through NGOs and NGOs. This action is already underway. One of the main results of the Chinese strategy aimed at enhancing cultural interaction in the framework of the BRI is the creation of "Eurasia - Silk Road" for cultural cooperation. Agreement on the establishment of the organization was reached during the Second Great Silk Road International Cultural Forum held in Moscow on September 14-15, 2015 and was organized

⁴⁴ Securing the Belt and Road initiative / Edited by Alessandro Arduino. – Shanghai: Shanghai Academy of Social Sciences, 2018. – P. 5.

by the Chinese Foundation of Culture and Arts of Nations, the Silk Road Fund⁴⁵.

China put a lot of effort into emphasizing the open and joint nature of the BRI during the 2017 forum. It also intends to address issues related to standards and governance transparency that have been the subject of criticism for decades. Also in recent years, China has actively sought to comply with international environmental and social standards in policies of enterprises. A major step to achieve these goals was the establishment in October 2018 of the Union of Cities "Belts and Ways" for international cooperation in the field of credibility, the first members of which were 35 states. According to the statements of the participants, the union is intended to create an international platform for exchanges and cooperation between cities in an appropriate area, through which a culture of honest behavior will develop, the business environment will improve, interconnectedness and trade and investment cooperation of the BRI cities will be promoted⁴⁶.

Thus, the establishment of a number of platforms for multilateral dialogue, as well as the creation of financial institutions to which third countries are allowed demonstrates China's desire to comply with international standards in the field of financing various projects and its desire to actively solve the problems of implementing the Belt and Road.

⁴⁵ Tim Winter, "One Belt, One Road, One Heritage: Cultural Diplomacy and the Silk Road", *The Diplomat*, 2019, online, Internet, 16 Jul. 2019. Available: <http://thediplomat.com/2016/03/one-belt-one-road-one-heritage-cultural-diplomacy-and-the-silk-road/>.

⁴⁶ Создан Союз городов "Пояса и пути" по международному сотрудничеству в области кредита доверия, *Russian.news.cn*, 2019, online, Internet, 16 Jul. 2019. Available: http://russian.news.cn/2018-10/21/c_137548683.htm.

III CHAPTER. China-EU relations in the framework of the OBOR

3.1. Dynamics of political, economic and trade relations between the EU and China until 2013

Since the mid-1960s China's foreign policy has been characterized by increasing confrontation with the USSR, which has resulted in the actual rupture between the parties, despite a formal treaty of friendship, union and mutual assistance. Under such circumstances, China started to seek opportunities to cooperate with the countries of the Western bloc, which saw China as the center of opposition to the "Soviet hegemonism" in Asia. In 1963 the Deputy Minister of Foreign Trade of China Lu Xuzhang toured Western European countries and, in particular, held talks on the expansion of economic relations between the PRC and France. In that same year former Prime Minister of France Edgar Faure visited Beijing with an unofficial mission to conduct preliminary negotiations with China's leadership on the official recognition of the PRC and the restoration of diplomatic relations between Paris and Beijing⁴⁷. As a result, in January 1964 France became the first Western European country to establish with the PRC diplomatic relations at the level of embassies. In 1970 China established official diplomatic relations with Italy, in 1971 - with Austria, Belgium, Iceland, San Marino; in 1972 - with the Netherlands, Germany, Greece, Malta, Luxembourg and the UK; in 1973 - with Spain, in 1974 - with Portugal and Ireland.

Official relations between Beijing and Brussels were established in 1975, which laid the legal foundation for further cooperation between China, the EEC and Member States. Nevertheless, it is worth noting that until the mid-1980s, the basis for relations between the parties was precisely trade and economic

⁴⁷ Виноградов, А.О. К истории формирования отношений КНР-ЕС /А.О. Виноградов, М.О. Лушик // Китай в мировой и региональной политике. История и современность, 2017. – №22. – С. 353.

cooperation, and not political⁴⁸. In 1978 China and the EEC signed a trade agreement in which the parties pledged to grant each other preferential treatment. In 1985 China and the EU signed an agreement on trade and economic cooperation, which envisaged cooperation in the field of industry, agriculture, science and technology, energy, transport, environmental protection. In 1988 China and EEC sent each other diplomatic missions.

There was a crisis in relations related to the events on Tiananmen Square in 1989, which resulted in sanctions imposed on China, including arms embargo. However, it quickly became clear that the sanctions were damaging not only China facing the threat of international isolation, but also Europe, deprived of a promising market for its products⁴⁹. Thus, although some sanctions remained in force, relations between China and the EEC were restored due to the predominance of economic and trade interests over political.

In 1994 the European Commission, those role in the Union's foreign policy decision-making process expanded after the signing of the Maastricht Treaty, prepared and published a policy document entitled "Towards a New Asia" proclaiming the need to expand EU's economic presence in Asia⁵⁰. Since then, the EU has constantly updated its strategy, goals, priority areas and instruments for implementing the policy between the EU and China, depending on the changing international situation. In turn, China also sought to more actively develop cooperation with the EU. In 1996, on the proposal of the EU China agreed to start a joint dialogue on human rights, which for several years put an end to the diplomatic confrontation on this issue.

In 1998, the first EU-PRC Summit took place at the highest level, which marked the beginning of direct strategic interaction on economy, politics, human rights,

⁴⁸ China-EU relations / Edited by Hong Zhou. – Singapore: Social Sciences Academic Press, 2017. – P. 4.

⁴⁹ Виноградов, А.О. К истории формирования отношений КНР-ЕС /А.О. Виноградов, М.О. Лущик // Китай в мировой и региональной политике. История и современность, 2017. – №22. – С. 356.

⁵⁰ Towards a new Asia strategy. Communication from the Commission to the Council. COM (94) 314 final, 13 July 1994 - Archive of European Integration, University of Pittsburgh, *Aei.pitt.edu*, 2019, online, Internet, 16 Jul. 2019. Available: <http://aei.pitt.edu/2949/>.

etc⁵¹. In 2000 China and the EU developed a common position on the consequences of China's accession to the WTO for the purpose of cooperation within the framework of a single trade mechanism. In 1998, China and the EU signed an agreement on the creation of the "Cooperative Partnership", which in 2001 was proclaimed comprehensive. In October 2003 EU officially prepared the fifth policy document on relations with China⁵², and in turn, Beijing in the same month issued its first policy document on cooperation with EU⁵³. These documents were largely similar in content: recognized the value of bilateral relations, highlighted the general areas of interaction as well as prospects for cooperation.

The first 2-3 years following the promulgation of the Comprehensive Strategic Partnership experts call the "honeymoon" in bilateral relations⁵⁴. Frequent visits were made at a high level, and China established a bilateral strategic partnership with France and UK, and with several EU Member States in Southern Europe. 2004 was declared "Year of Europe" in China, and "Year of China" in the EU. After the EU enlargement in 2004 the Union became China's largest trading partner, and China became the EU's second largest trading partner after US⁵⁵. At the same time China's economy grew rapidly, reaching 10% per year.

However, the "honeymoon" did not last long. In October 2006, the European Commission published a new policy document entitled "EU-China: Closer partners, growing responsibilities". "Realistic interaction issues" and

⁵¹ EU-China summit: joint press statement, *Chinese-embassy.org.uk*, 2019, online, Internet, 16 Jul. 2019. Available: <http://www.chinese-embassy.org.uk/eng/wjzc/t27058.htm>.

⁵² EU strategy towards China, *Eur-lex.europa.eu*, 2019, online, Internet, 16 Jul. 2019. Available: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=LEGISSUM:r14205&from=EN>.

⁵³ China's policy paper on EU, *Chinamission.be*, 2019, online, Internet, 16 Jul. 2019. Available: <http://www.chinamission.be/eng/zywj/zywd/t1227623.htm>.

⁵⁴ Виноградов, А.О. К истории формирования отношений КНР-ЕС /А.О. Виноградов, М.О. Луцкий // Китай в мировой и региональной политике. История и современность, 2017. – №22. – С. 360.

⁵⁵ International trade in goods EU 28, Database Eurostat, *Ec.europa.eu*, 2019, online, Internet, 16 Jul. 2019. Available: <https://ec.europa.eu/eurostat/web/international-trade-in-goods/data/database>.

“competition and partnership” were key phrases of the document⁵⁶. New more skeptical leaders towards China came to power in Europe in 2006-2007: Angela Merkel in Germany, Nicolas Sarkozy in France, Gordon Brown in the UK, EU foreign trade commissioner Peter Mandelson⁵⁷. The contradictions between China and the EU have intensified, and in some areas even regressed. First, there has been no significant progress on resolving China’s concern: granting market economy status and lifting the arms embargo. Secondly, controversy has intensified on issues such as Iran’s nuclear program and the expansion of China’s presence in Africa. Thirdly, human rights have again become the subject of controversy. The EU has repeatedly expressed its dissatisfaction with China’s actions related to the adoption of the Anti-separatism Law in early 2005 (Anti-secession Law), as well as a refusal to ratify the International Covenant on Civil and Political Rights. The problem of Tibet was particularly acute. Heads of state and government of the three major powers, namely Britain, France and Germany, met with Dalai Lama, forcing China to postpone the 11th China-EU Summit, which originally planned to be held in France. Thus, the EU-China relations in 2008 were at an all-time low⁵⁸.

Obviously, this state of relations was detrimental to both parties’ economic interests. The EU needed an inflow of foreign investment, while China sought to further expand its economic presence in Europe and gain access to European technology. Relations began to return to normal by 2009 thanks to a series of steps on both sides. First, in early 2009 Premier Wen Jiabao made “Tour of Confidence” in European countries, which played an important role in restoring political trust between the parties. Secondly, the largest EU countries, such as

⁵⁶ EU – China: Closer partners, growing responsibilities. Communication from the Commission to the Council and the European Parliament. COM (2006) 631 final, 24 October 2006 - Archive of European Integration, University of Pittsburgh, *Aei.pitt.edu*, 2019, online, Internet, 16 Jul. 2019. Available: <http://aei.pitt.edu/38107/>.

⁵⁷ Рубо, О.П. Особенности этапов политики ЕЭС/ЕС в отношении КНР в 1975-2016 гг. // Научные труды Республиканского института высшей школы, 2018. – №18. – С. 342.

⁵⁸ China-EU relations / Edited by Hong Zhou. – Singapore: Social Sciences Academic Press, 2017. – P. 13.

the United Kingdom and Germany, became the first European countries to take measures to restore relations with China. In January, the UK published the first ever position document on interaction with China, in which the priority task was to build a trust based relations with Beijing⁵⁹.

During Wen Jiabao's visit to Germany on January 29, the governments made a joint statement about efforts to stabilize the economic situation in the world. In addition, shortly before the beginning of the G20 financial summit, a press release from China and France was published, in which had been reported that the parties were ready to normalize relations and seek to continue cooperation in various fields.

The 12th China-EU Summit took place in Nanjing on November 30, 2009. Both sides unanimously recognized the importance of strategic partnership, and also signed a joint declaration, which noted that after a series of setbacks relations between China and the EU had returned to the right path. Also it was emphasized that “....in a complex and ever changing international context EU-China relations increasingly transcend the bilateral framework and take on an international dimension...EU-China relations enjoy a broad strategic foundation and the significance of cooperation between the two sides is becoming more evident”⁶⁰.

Following 2009, relations between China and the EU continued to change for the better. In August 2010, a high-level China-EU strategic dialogue was officially launched. In December of the same year, the EU High Representative for Foreign Affairs and Politics Security prepared report on the strategic partnership of the European Union and other countries, in which among the nine listed strategic partners China ranked second after US.

⁵⁹ China-EU relations / Edited by Hong Zhou. – Singapore: Social Sciences Academic Press, 2017. – P. 39.

⁶⁰ Joint Statement of the 12th EU-China Summit, *Ec.europa.eu*, 2019, online, Internet, 16 Jul. 2019. Available: https://ec.europa.eu/clima/sites/clima/files/docs/0022/joint_statement_en.pdf.

In general, despite the overcoming some of problems, relations between China and the EU at that stage were characterized by both ups and downs. For example, the British Prime Minister Cameron met with the Dalai Lama in May 2012, and Catherine Ashton, as High Representative of the EU, had repeatedly criticized China's policy towards Tibet.

However, the above problems did not stop further strengthening of relations. 10 years have passed since establishment of the China-EU Comprehensive Strategic Partnership between in 2013. In May, Chinese Prime Minister Li Keqiang visited four countries in Europe and Asia, including Germany and Switzerland. In this regard, Foreign Minister Wang Yi stated that the inclusion of the European direction in new Prime Minister Li Keqiang's first state visit shows a special place of Europe in China's common foreign policy strategy⁶¹. Certain steps were also taken by the EU: EU High Representative Catherine Ashton visited China at the end of April and held the first high-level talks with China's new administration. She mentioned that "Bilateral relations will be given a new impetus with advent of the PRC's new leadership, which will allow a better understanding of the situation in the world, and also further expand cooperation".

It should also be mentioned trade dynamics between countries in the period preceding the announcement of the BRI. The starting point is to take 2003 - the year of the signing of an agreement on strategic partnership. The trade turnover between China and the EU continuously increased more than four times between 2003 and 2013. According to the Ministry of Trade of China and Eurostat, China's exports to the EU increased from \$ 72.16 billion in 2003 to \$ 280.1 in 2013. China's imports from the EU grew from \$ 53.06 billion in 2003 to \$ 148.1 billion in 2013, which is almost three times more than in 2003. The

⁶¹ Foreign Minister Wang Yi Meets the Press, *Fmprc.gov.cn*, 2019, online, Internet, 16 Jul. 2019. Available: https://www.fmprc.gov.cn/mfa_eng/wjb_663304/wjbz_663308/2461_663310/t1135385.shtml.

total trade volume increased 4.3 times from \$ 125.22 billion in 2003 to \$ 428.2 billion in 2013⁶².

China-EU trade during this period experienced a double drop. The first fall occurred in both China's foreign trade and China-EU trade due to the impact of the global financial crisis. After the lowest indices in 2009, trade quickly recovered and exceeded the pre-crisis level. However, the European debt crisis slowed development trade and led to a decrease in domestic demand in Europe. China-EU trade again declined in 2012. Meanwhile, although China's foreign trade had suffered and slowed, it still maintained some growth momentum. This indicates a significant progress in China's market diversification strategy - the impact of the European debt crisis on the economy was less than the impact of the financial crisis. The main problem of trade relations in this period was the trade balance deficit, which continuously increased over the entire period. So, if in 2003 it was \$ 19.1 billion, then by 2013 it had increased to \$ 132 billion⁶³.

3.2. Interaction of the PRC and EU institutions within the OBOR

Thus, China-EU relations were quite high by the launch of the initiative. In August 2013, parties signed the EU-China 2020 Strategic Agenda for Cooperation, which outlined the development plan of relations⁶⁴. It is interesting that the Chinese side bypassed the future draft and did not make any hints about its existence when discussing document, despite to the fact that it became known about him a month after the China-EU summit. In 2014 Xi Jinping made an official visit to Brussels - the head of China visited EU headquarters for the first time in 40 years. However, in a joint statement of March 31, 2014, the Chinese project (designated as an initiative at that time) was given only one

⁶² Development of international trade in goods, EU-28, 2008–2018, *Ec.europa.eu*, 2019, online, Internet, 16 Jul. 2019. Available: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods&oldid=426347#The_three_largest_global_players_for_international_trade.

⁶³ Ibid.

⁶⁴ EU-China 2020 Strategic Agenda for Cooperation, *Eeas.europa.eu*, 2019, online, Internet, 18 Jul. 2019. Available: <https://eeas.europa.eu/sites/eeas/files/20131123.pdf>.

line, in which “both sides decided to develop synergies between EU policies and China's “Silk Road Economic Belt” initiative and jointly to explore common initiatives along these lines”⁶⁵.

The Chinese government realized that EU institutions play a central role when it comes to Chinese investment and coordinating various projects with EU member states. For Brussels compliance with open market mechanisms and rules, as well as the strategic priorities of the Union, is the most important condition for successful cooperation in the BRI. In turn, the European Commission and the European External Action Service understood that the OBOR has strong political support in China and that its implementation does not depend on the position taken by the EU. This made Brussels seek for ways to incorporate in this initiative and influence it.

2015 marked 40 years since the establishment of diplomatic relations between China and the EU, and in the same year China published the first policy document on the Belt and Road⁶⁶. The response from the EU institutions to the publication was relatively obscure. Only in the resolution of the European Parliament of December 16, 2015 “the launch of the ‘One Belt, One Road’ initiative aimed at constructing major energy and communication links across Central, West and South Asia as far as Europe”⁶⁷ was taken into account.

So far, the EU has not developed a full-fledged strategic approach to interacting with the BRI and its influence on regional dynamics, since China’s true motives and interests not fully understood. In September 2015, the European Commission and the Government of China signed an agreement to create a

⁶⁵ European Commission Press release - Joint Statement: Deepening the EU-China Comprehensive Strategic Partnership for mutual benefit, *Europa.eu*, 2019, online, Internet, 18 Jul. 2019. Available: http://europa.eu/rapid/press-release_STATEMENT-14-89_en.htm.

⁶⁶ Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, *Fmprc.gov.cn*, 2019, online, Internet, 18 Jul. 2019. Available: https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1249618.shtml.

⁶⁷ European Parliament resolution of 16 December 2015 on EU-China relations, Wednesday, 16 December 2015, *Europarl.europa.eu*, 2019, online, Internet, 18 Jul. 2019. Available: http://www.europarl.europa.eu/doceo/document/TA-8-2015-0458_EN.html?redirect.

platform for cooperation⁶⁸ between the EU and the PRC in order to strengthen cooperation in areas such as infrastructure, equipment, technology and management standards, as well as the search for opportunities for linking the OBOR and Trans-European Transport Network (TEN-T)⁶⁹. In addition, this platform was designed to identify opportunities for investment cooperation between the Silk Road Fund and the European Fund for Strategic Investments. In this regard, China expressed its desire to contribute about € 5-10 billion to the European Strategic Investment Fund, which was created by the European Commission to attract € 315 billion in order to stimulate growth and employment⁷⁰. Until 2017, the activity of this platform was not evident due to contradictions between the sides. At the Belt and Road Forum held in Beijing on May 14-15, 2017 European Commission Vice President for Jobs, Growth, Investment and Competitiveness Jyrki Katainen presented EU's vision for improving connectivity between Europe and Asia, which can be considered step towards developing a common EU-China cooperation policy on the BRI. After the results of the 19th EU China Summit, the sides signed Memorandum of Understanding on a dialogue in the area of the State aid control regime and the Fair Competition Review System on June 2, 2017⁷¹. Following the signing of this document, a short-term plan for linking the infrastructure strategies of the European Union and China was published, and a list of 34 pilot projects in the field of joint infrastructure implementation was published in July 2018⁷². The

⁶⁸ EU-China Summit joint statement: The way forward after forty years of EU-China cooperation, *Consilium.europa.eu*, 2019, online, Internet, 18 Jul. 2019. Available: <https://www.consilium.europa.eu/media/23732/150629-eu-china-summit-joint-statement-final.pdf>.

⁶⁹ Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU Text with EEA relevance, *Eur-lex.europa.eu*, 2019, online, Internet, 18 Jul. 2019. Available: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32013R1315>.

⁷⁰ China and Juncker's Investment Plan, *Vocal Europe*, 2019, online, Internet, 18 Jul. 2019. Available: <https://www.vocaleurope.eu/china-and-junckers-investment-plan/>.

⁷¹ Memorandum of Understanding on a dialogue in the area of the State aid control regime and the Fair Competition Review System, *Ec.europa.eu*, 2019, online, Internet, 21 Jul. 2019. Available: http://ec.europa.eu/competition/international/bilateral/mou_china_2017.pdf.

⁷² List of projects to be considered in the framework of the EU-China Connectivity platform, *Ec.europa.eu*, 2019, online, Internet, 21 Jul. 2019. Available:

EU's special attention to the development of its own infrastructure networks is primarily due to the fact that it is a prerequisite for completing the creation of a single market. The previously mentioned TEN-T launched in 2013 can be considered the most fundamental since the emergence of a common EU policy in the field of infrastructure in 1980. According to the documents, it will have to consist of 9 major Corridors: two North-South Corridors, three East-West Corridors, and four Diagonal Corridors⁷³.

Successful cooperation in the field of infrastructure can become the basis for interaction in ensuring regional stability and sustainable development in third countries participating in the project. So, the Chinese project can complement already existing such EU programs as:

- Joint Plan of Action for Central Asia under the United Nations Global Counter-Terrorism Strategy;
- EU program to combat cross-border drug trafficking;
- Border Management Programme in Central Asia (BOMCA);
- Border Management Northern Afghanistan (BOMNAF);
- Central Asia Drug Action Programme (CADAP);
- Preventing distribution of CBRN materials.

It should be noted that BRI projects outside the European Union also play an important role in China-EU relations. These include infrastructure projects in Africa and Asia, in which European companies or investors participate. In 2014 China initiated the establishment of the Asian Infrastructure Investment Bank, main activity of which is focused on financing promising infrastructure projects.

<https://ec.europa.eu/transport/sites/transport/files/2018-07-13-european-transport-infrastructure-projects.pdf>.

⁷³ Regulation (EU) No 1315/2013 of the European Parliament and of the Council of 11 December 2013 on Union guidelines for the development of the trans-European transport network and repealing Decision No 661/2010/EU// Text with EEA relevance, *Eur-lex.europa.eu*, 2019, online, Internet, 22 Jul. 2019. Available: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX:32013R1315>.

18 EU member states are members of the AIIB as of 2019. This prompted Brussels to develop common rules for European states to coordinate actions within this bank, in particular when voting on financing infrastructure projects⁷⁴. The development of cooperation between the EU and China in the field of infrastructure, investment and trade presents a number of problems. The main one is bilateral trade imbalances. For example, trains from China are fully loaded with goods, while trains in the opposite direction often depart with a noticeably smaller amount of products. This shows dependence of the BRI on strong support from the Chinese state capital. In the EU this is largely due to market mechanisms. The government constantly allocates subsidies for the transportation of goods in order to preserve the competitiveness of Chinese enterprises in the EU markets in such high-tech areas as the automotive industry and electronics. In addition, Chinese subsidies are aimed not only at providing a competitive advantage to Chinese goods by reducing logistics costs, but also at sustainment of employment. In recent years China has sought to address the problem of dependence on government subsidies and correct trade imbalances with the EU. In practice, this led to the decrease in tax rates for a number of imported consumer goods in the spring of 2019⁷⁵.

Another difficulty is the incompatibility between the Chinese projects and some EU legislative initiatives. Some experts believe that the ongoing Berlin process is an intergovernmental initiative led by Germany to support the integration processes in the EU - is a tool for the EU to limit the Chinese presence and maintain its own influence in the Balkans⁷⁶.

⁷⁴ В Китае снижены сборы за грузовые железнодорожные перевозки, *Russian.news.cn*, 2019, online, Internet, 2 Aug. 2019. Available: http://russian.news.cn/2019-04/02/c_137942731.htm.

⁷⁵ Китай снижает налоговые ставки на ряд ввозимых потребительских товаров, *Russian.news.cn*, 2019, online, Internet, 2 Aug. 2019. Available: http://russian.news.cn/2019-04/08/c_137960412.htm.

⁷⁶ China's investment in influence: the future of 16+1 cooperation, *ECFR.EU*, 2019, online, Internet, 2 Aug. 2019. Available: https://www.ecfr.eu/publications/summary/chinas_investment_in_influence_the_future_of_161_cooperation7204.

In order to increase EU's involvement in the project, China needs to develop and promote a detailed unified approach to interacting with the EU countries both at the political level and at the business level. Beijing's lack of a well-defined set of guidelines for project implementation fits the logic of the traditional Chinese pragmatic and flexible strategy, which changes depending on the new reality in international relations. However, this approach leads to ambiguity in other countries that are potential partners in the initiative. On the one hand, thanks to the establishment of the Asian Infrastructure Investment Bank, China has strengthened its economic diplomacy and enhanced its status as a reliable partner. At the same time, the lack of communication with political circles in countries that China considers to be key partners in the strategic planning of OBOR has led some of them to take this initiative with suspicion and skepticism. An example is India's response to Pakistan's participation in the initiative. Indian government circles believe that the initiative is a tool for China to limit India's geopolitical influence⁷⁷. In addition, the participation of the Middle East countries in the project is still described by common characteristics without a detailed action plan. Such an opaque situation regarding the true intentions of China in the framework of the BRI also causes misunderstanding in Europe. The situation is also adversely affected by complex relations between EU institutions and its member states. For example, Greece, Poland and Italy are most actively seeking to pair their infrastructure with the Chinese project, while other EU member states have not yet developed an approach to interact with China. This is eliciting mixed reaction from the EU Commission. In March 2019, the European Commissioner for Budget and Human Resources Günther Oettinger expressed that the European Union should have the right to veto

⁷⁷ India slams China's One Belt One Road initiative, says it violates sovereignty, *The Times of India*, 2019, online, Internet, 2 Aug. 2019. Available: <https://timesofindia.indiatimes.com/india/china-road-initiative-is-like-a-colonial-enterprise-india/articleshow/58664098.cms>.

Chinese investments in the infrastructure of EU member states, if they do not meet the common interests of the Union⁷⁸.

European officials adhere to the position that the EU must develop appropriate standards and rules in order to cooperate with China in the long term. The starting point may be to provide more opportunities for European investors in China. Thus, the partnership between EU companies and Chinese state-owned enterprises will help the latter to adopt high European social and environmental standards, which can be the basis for the long-awaited reforms in the Chinese public enterprises sector. Deeper EU involvement in the BRI will also reduce suspicion among Asian countries and the United States for China's economic and political ambitions. Certain steps to reach an understanding between the EU and China in the investment field were taken at the 21st summit held in 2019. At its close, China and European Union expressed intention to sign a comprehensive bilateral investment agreement in 2020⁷⁹. Its essence is to significantly improve market access, eliminate discriminatory requirements and practices affecting foreign investors, and create a balanced investment protection system and inclusion of investment and sustainable development provisions. Also, as a result of China's joining the EBRD in 2016 and the opening of its office in Beijing, the financial cooperation between China and Europe related to the project has expanded even more. An important step was the creation in 2018 of a joint EU-PRC investment fund with a capital of 500 million euros. The contributors were the European Investment Fund and the Silk Road Fund⁸⁰.

⁷⁸ Commissioner Proposes EU Veto Power on Chinese Infrastructure Investments after Italy's BRI Deal, *European-views.com*, 2019, online, Internet, 2 Aug. 2019. Available: <https://www.european-views.com/2019/03/commissioner-proposes-veto-power-on-chinese-infrastructure-investments-in-eu-after-italys-bri-deal/>.

⁷⁹ 21 EU-China Summit Joint statement, *Consilium.europa.eu*, 2019, online, Internet, 2 Aug. 2019. Available: <https://www.consilium.europa.eu/media/39020/euchina-joint-statement-9april2019.pdf>.

⁸⁰ First EU-China investment platform backed by the Juncker Plan, *Eif.org*, 2019, online, Internet, 2 Aug. 2019. Available: https://www.eif.org/what_we_do/equity/news/2018/silk_road_fund_initiative.htm.

The problem in the social sphere is the poor awareness of the EU population about the project. Citizens still perceive Chinese investment with mixed feelings, as there are suspicions that China has broader strategic goals, unlimited only by economic cooperation. In addition, the EU media narrative continues to focus on the negative impact of Chinese deals on mergers and acquisitions in the economic situation in Europe, with almost no consideration of the socio-political sphere and possible cooperation schemes for building long-term relations between the EU and China based on better understanding of mutual values and interests.

3.3. “16 + 1” format as a platform for bilateral cooperation between the PRC and the countries of Central and Eastern Europe

Central and Eastern Europe (CEE) holds a special place in China’s strategy for implementing the Belt and Road. First, the region has a greater economic potential than the rest of Europe. According to the forecasts of the European Commission on the economic growth of the EU member states in 2019, the CEE countries’ economies will grow by an average of 3.3% per year, which is twice the average for the EU as a whole⁸¹. Secondly, this region is in dire need of building infrastructure. According to the PwC for 2017, to reduce the lag of the CEE countries from the rest of Europe in the field of infrastructure, the region needs to attract about 615 billion euros⁸². Thirdly, the CEE countries are the “gateway” to other developed European countries: the region lies between the Mediterranean end of the Maritime Silk Road route and the attractive European market.

In 2012 a multilateral mechanism was launched at the initiative of China to develop and strengthen cooperation with 16 Central and Eastern European

⁸¹ European Economic Forecast 2019, *Ec.europa.eu*, 2019, online, Internet, 4 Aug. 2019. Available: https://ec.europa.eu/info/sites/info/files/economy-finance/ip102_en.pdf.

⁸² CEE Must Improve Infrastructure and Logistics - Emerging Europe | News, Intelligence, Community, *Emerging Europe | News, Intelligence, Community*, 2019, online, Internet, 4 Aug. 2019. Available: <https://emerging-europe.com/news/cee-must-improve-infrastructure-logistics/>.

countries, namely Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Macedonia, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia. The main format of interaction is the annual summits, which are held in one of the participating countries. Based on the results of each meeting, the parties prepare a joint document in which they set out their vision for the implementation of further cooperation, and also provide a brief report on the implementation of previously agreed cooperation projects. It is worth noting that from the position of the CEE countries, the initiative can be viewed as an extended version of the previous regional integration projects within the “16 + 1” format, which are weakly linked to the EU-China strategic partnership. In this regard, many previously agreed joint projects were included in the BRI after its announcement.

For the first time the Chinese project was mentioned in a statement on the results of the 4th Summit in 2015, which took place after the publication of the first program document. Further at the fifth summit, held in Riga in 2016, a joint declaration was signed, in which the leaders of China and CEE agreed to further expand cooperation and exchanges in the framework of the BRI and “16 + 1” format. It emphasizes that the infrastructure and logistics projects for CEE are consistent with the principles developed within the framework of the EU-China interaction platform, which include an investment plan for Europe and projects for the construction of the Trans-European Transport Network⁸³.

The last summit was held in April 2019. The key event was the expansion of the number of participants through the inclusion of Greece. This indicates its special place in China’s strategy, which actively seeks to develop infrastructure projects in the country. At the summit the parties reported that over the past few years the export of CEE countries to China has increased almost six times, and bilateral cooperation is becoming closer. According to the data, in 2018 China

⁸³ Riga Declaration, *Yidaiyilu.gov.cn*, 2019, online, Internet, 4 Aug. 2019. Available: <https://eng.yidaiyilu.gov.cn/zchi/sbwj/2331.htm>.

invested about 9 billion euros in 16 CEE countries, while the opposite figure is about 1.3 billion euros⁸⁴. In November 2017 Chinese Prime Minister Li Keqiang announced that China would invest more than \$ 3 billion in sustainable development projects in Central and Eastern European countries. In the same period, the Interbank Association of China and the countries of Central and Eastern Europe was founded, which comprised financial institutions from 14 countries, including China, Hungary, the Czech Republic, Slovakia, Croatia, etc. As one of the leading countries investing in the development of public transport and renewable energy, China also plays an important role in implementing the 2030 Agenda for Sustainable Development.

Trade between China and the region has grown by 50% since the start of cooperation and reached 73.09 billion euros in 2018, which is 21% more than in 2017⁸⁵. However, it is worth noting that compared with the total EU-China trade of 573 billion euros, this figure is rather modest - less than the figure of 100 billion dollars, which was planned to be achieved by 2015. The trade balance is heavily shifted towards China, whose exports to the region grew much faster than imports. The geographical uneven distribution of trade flows was also observed: five countries out of 16 — Poland, the Czech Republic, Hungary, Slovakia, and Romania — accounted for about 80% of all trade. At the same time, the EU remains the main trading partner of the Western Balkans - Croatia, Serbia, Montenegro, Northern Macedonia, Albania, Bosnia and Herzegovina (trade volume is 47.5 billion euros, accounting for 72.8% of total trade), while China ranks second with 3.7 billion euros (5.7%)⁸⁶.

⁸⁴ China pledges to boost trade and infrastructure ties with CEE countries, *Intellinews.com*, 2019, online, Internet, 5 Aug. 2019. Available: <https://www.intellinews.com/china-pledges-to-boost-trade-and-infrastructure-ties-with-cee-countries-159626/>.

⁸⁵ Development of international trade in goods, EU-28, 2008–2018 // Eurostat, *Ec.europa.eu*, 2019, online, Internet, 5 Aug. 2019. Available: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=International_trade_in_goods&oldid=426347#The_three_largest_global_players_for_international_trade.

⁸⁶ Ibid.

The lack of specific statements by China on implementation multilateral infrastructure projects within the “16 + 1” format is becoming criticized by European actors and experts⁸⁷. First, the level of involvement of countries in the format is relatively uneven: there are 4 groups of countries, depending on the intensity of participation in the format. Only a few large countries, such as Poland, Serbia and Hungary, at the moment managed to extract the maximum benefit from Chinese investment. On the other hand, countries that relied on Chinese investment, especially in the area of infrastructure projects, were deprived of attention from investors. This led to competition among 16 countries for the right to attract Chinese funding, but also to a more cautious approach to cooperation. So, Poland, which seeks to expand cooperation with China, at the same time remains cautious - earlier, countries once failed to implement a joint infrastructure project⁸⁸.

Secondly, there are obvious discrepancies between the participation of EU Member States and non-EU countries, especially in terms of investment and infrastructure. projects. Due to the regulatory framework, the Chinese credit line was used mainly by non-EU countries, for example, in Bosnia and Herzegovina for the construction of a thermal power plant, in Macedonia of motorways, in Serbia of a bridge over the Danube. In general, the level of Chinese investment in CEE countries is up to the current moment was low, and the construction of manufacturing bases announced by China in the region has yet to be realized.

Thirdly, the most acute problem is the discrepancy between the initial overestimated expectations on the part of the CEE countries in the active development of the region and the real achievements of cooperation. Such unsatisfactory economic results in CEE countries are caused not only by the obvious asymmetry of the market size, but also by trade and investment

⁸⁷ Xavier Richet. The 16+1 Format: Chinese presence in fragmented markets on the periphery of Europe // China-CEE Institute, *China-cee.eu*, 2019, online, Internet, 5 Aug. 2019. Available: <https://china-cee.eu/wp-content/uploads/2018/07/Xavier-Richet.pdf>.

⁸⁸ Poland: The motorway that China couldn't build, *VoxEurop.eu*, 2019, online, Internet, 5 Aug. 2019. Available: <https://voxeurop.eu/en/content/article/716731-motorway-china-couldnt-build>.

barriers: according to the European Commission's database on market barriers, China ranks second in the number of different trade restrictions and barriers, second only to Russia⁸⁹. Such results have caused frustration and skepticism, even among major CEE countries, such as Poland, which has the largest trade deficit with China.

Fourthly, 11 out of 16 EU member states are taking part in the format, which causes reasonable concern among EU institutions and other member states. They are concerned that Beijing can use the "16 + 1" format as a tool to undermine relations between the CEE countries and the EU. Obviously, there is an economic aspect: for example, investment transactions concluded with China may go against the strategy and policies of the European Union. However, there is also a political aspect: for example, thanks to the objections of some member states, the EU's statement on the situation in the South China Sea avoided direct accusations towards China⁹⁰. Of the 16 CEE countries, China, Hungary and Greece are the most reluctant to criticize, as in recent years these countries have become the largest recipients of Chinese investment (the rejection of criticism from Slovenia and Croatia is mainly related to their own unresolved maritime disputes). To all among EU institutions, there is concern that China will continue to institutionalize "16 + 1" cooperation format.

Fifth, there is an opinion inside the "16 + 1" that China pursues the goal of splitting the bloc of CEE countries, as it strengthens bilateral relations only with some of the 16 and pays more attention to them than others. For example, in 2016, Xi Jinping visited the Czech Republic, the first CEE country ever visited by the Chinese leader. A high-ranking business delegation from China visited Romania in the same year, thanks to which the country received an investment

⁸⁹ China - Trade - European Commission, *Ec.europa.eu*, 2019, online, Internet, 5 Aug. 2019. Available: <http://ec.europa.eu/trade/policy/countries-and-regions/countries/china/>.

⁹⁰ EU's statement on South China Sea reflects divisions // Reuters, 2019, online, Internet, 5 Aug. 2019. Available: <https://www.reuters.com/article/southchinasea-ruling-eu-idUSL8N1A130Y>.

of 6 billion euros⁹¹. Serbia also seeks to demonstrate willingness to expand cooperation with China, and the format of cooperation is called “15 + 1 + 1” in the country itself. Indeed, from the point of view of countries that have won the least the interaction can also be called 1 + 1 + 1 + 1 (etc.), which casts doubt on the nature of the format as a whole. The willingness of CEE countries to cooperate also depends on their different political identities. These differences depend on whether the countries are EU members and members of the Eurozone, which has a profound influence on the strategies of these countries and their desire to cooperate with China. For example, Serbia, which is not a EU member, is still more dependent on the support of its economic development from third countries and, therefore, is more willing to cooperate with China than the EU member states.

Most actively China is implementing its cooperation with Poland, Hungary and Serbia, as evidenced by high trade volumes compared to other CEE countries. These three countries became one of the first countries to sign a memorandum with China on BRI⁹². As a result, projects related to the construction or modernization of railway lines, highways, ports or other infrastructure are rapidly developing, especially on the Balkan Peninsula. From all the states of the region Hungary, Poland and Serbia were mentioned the most (3, 5 and 2 times, respectively) in a report published on April 22, 2019 on the progress and prospects of the initiative⁹³. In addition, China's investments are also associated with the field of industry and services, including manufacturing, clean energy and tourism. While investments in new projects remain the main forms of China's activity in the region, in recent years the number of M&A deals, IPOs,

⁹¹ Chinese Investment in Europe: a country-level approach / Edited by John Seaman // European Think-tank Network on China (ETNC), 2019, online, Internet, 5 Aug. 2019. Available: https://www.ifri.org/sites/default/files/atoms/files/etnc_reports_2017_final_20dec2017.pdf.

⁹² Europe and China's New Silk Roads / Edited by Frans-Paul van der Putten, *European Think-tank Network on China (ETNC)*, 2019, online, Internet, 6 Aug. 2019. Available: https://www.ifri.org/sites/default/files/atoms/files/etnc_2016-europe_and_chinas_new_silk_roads.pdf.

⁹³ Инициатива совместного строительства «Одного пояса, одного пути» прогресс, вклад и перспективы, *Yidaiyilu.gov.cn*, 2019, online, Internet, 6 Aug. 2019. Available: <https://rus.yidaiyilu.gov.cn/document/issue/87094.htm>.

and joint construction projects has increased, which shows China's desire to diversify its presence in Europe.

Thus, China cooperated closely with Hungary to promote the internationalization of renminbi. In September 2013, the People's Bank of China entered into a 10 billion yuan currency swap agreement with Hungary⁹⁴. In 2014, the People's Bank of China opened its first branch in Hungary, the main task of which was to lend to local companies hoping to trade and invest in China (possibly in RMB). These actions have expanded Hungary's cooperation with China, bringing financial relations to the institutional level. In addition, Hungary remains China's key trading partner in the region; in 2018, total trade turnover amounted to \$ 8.8 billion. Hungary became the first EU country to sign a memorandum of understanding with China to combine the BRI with Hungarian initiatives "Opening East" and "Opening South". The flagship project is the high-speed railway between Belgrade and Budapest, which aims to become part of the routes connecting the Greek port of Piraeus with Central Europe. However, apart from this project, Hungary still has not attracted much attention from the Chinese companies in areas such as infrastructure, industry, and investment. Local companies are too small to participate in construction projects in third countries, and their awareness of the project is very limited. At the same time, Hungarian politicians are actively promoting Hungary as a tourist and cultural center of CEE, which led to the opening of the first office of the National Tourism Company of China in Budapest in March 2016 and the launch of China's Great Silk Road advertising campaign in 2017.

Poland is another key partner with which China is implementing the construction of a railway connecting Sichuan Province and the Polish city of Lodz, as well as developing several Polish ports, such as Gdansk and Gdynia. Being one of the largest countries in CEE, Poland seeks closer cooperation with

⁹⁴ China signs currency swap agreement with Hungary, *Chinadaily.com.cn*, 2019, online, Internet, 6 Aug. 2019. Available: http://www.chinadaily.com.cn/business/2013-09/10/content_16958489.htm.

China, as improving bilateral relations can enhance the country's status in the EU and around the world. These relations are primarily based on economic reasons: expanding exports, reducing the huge trade deficit and attracting investment. In this regard, Poland is most actively involved in the initiative, is a member of the AIIB (Poland is the sole founding member of the bank from Central and Eastern Europe) and is actively lobbying for Chinese interests within “16 + 1”⁹⁵. The Polish government has repeatedly expressed its positive attitude towards the BRI. In addition to bilateral visits of the heads of state in 2015-16, the former Polish Foreign Minister Witold Waszczykowski in his speeches referred to the initiative as an opportunity for Poland’s development⁹⁶. Although relations between countries are developing quite rapidly, experts identify several problems in the implementation of the Way project. One of them is American influence in Poland and the activities of the internal pro-Western opposition. This approach can be described as Poland’s double policy towards China. This means that Polish the government, on the one hand, seeks to actively develop cooperation with China, but at the same time does not want to worsen relations with the United States. On top of that, authorities are confronted with anti-Chinese rhetoric emanating from internal opposition. As a result of Poland’s attempts to maintain a balance in relations with major powers, its policy is sometimes contradictory. The second negative factor is the huge negative trade balance on the Polish side. So, in 2018, China of all the Polish trading partners became the country with the largest trade deficit. Foreign trade turnover amounted to 20 billion euros, of whose 17.9 billion euros imports from China. It is worth noting the problems with Polish exports to China, including the Chinese ban on Polish pork, problems with obtaining export certificates for

⁹⁵ Xavier Richet. The 16+1 Format: Chinese presence in fragmented markets on the periphery of Europe, *China-CEE Institute*, 2019, online, Internet, 6 Aug. 2019. Available: <https://china-cee.eu/wp-content/uploads/2018/07/Xavier-Richet.pdf>.

⁹⁶ ‘Belt and Road’ a promising platform for China-Europe cooperation - China.org.cn, *China.org.cn*, 2019, online, Internet, 6 Aug. 2019. Available: http://www.china.org.cn/world/2016-04/26/content_38325244.htm.

food or agricultural products (for example, apples), as well as the export structure, which is not beneficial for Poland. The third negative factor is the difference in strategic priorities. Despite the fact that China is extremely important for Poland, it is still not the center of Polish foreign policy. Instead, Poland pays more attention to the situation in the region and solving problems with its Eastern partners and the countries of the Visegrád Group. Speaking about technical problems, experts from the Eurasian Development Bank note the insufficient processing capacity of the checkpoints on the Belarusian-Polish border. In this case, the most intensive container train traffic is the crossing border Brest (Belarus) - Malaszewicze (Poland). Almost all the routes connecting China and the EU pass through it. For the nine months of 2017 the number of container trains that transit through the Belarusian Railway from China to Europe, amounted to 1109, and from Europe to China - 759⁹⁷. Given the current state of infrastructure, locomotive and wagon fleets in Poland, a significant increase in container traffic through the Brest - Malaszewicze crossing is seen doubtful. Already now, the Polish side accepts only 9-10 instead of the agreed 14 formulations per day. Infrastructure restrictions in Poland lead to the fact that at the border crossing Brest - Malaszewicze idles up to 3.5 thousand cars. This border crossing is also a major concern for large shippers such as Hewlett-Packard (HP). According to HP, the company's trains on the Chongqing – Duisburg route have been idle for two to three days. At the same time, trains coming from other Chinese cities can stand idle on the route for five to six days⁹⁸.

Serbia has long been one of China's leading partners in Europe. According to Li Manchan, Chinese Ambassador to Serbia, due to the large number of agreements and projects between China and Serbia in recent years, this format

⁹⁷ Транспортные коридоры Шелкового пути: анализ барьеров и рекомендации по направлению инвестиций, ЦИИ ЕАБР, 2019, online, Internet, 6 Aug. 2019. Available: https://eabr.org/upload/iblock/304/EDB-Centre_2018_Report-50_Transport-Corridors_Barriers-and-Investments_RUS.pdf.

⁹⁸ Ibid.

can be called 1 "5 + 1 + 1"⁹⁹. During Xi Jinping's visit to Serbia in June 2016, both countries described bilateral relations as a comprehensive strategic partnership. The introduction of a bilateral visa-free entry regime for visits lasting up to one month, which was signed in a package with other bilateral agreements during the fifth China-CEE summit in Riga 2016, also shows close ties between the two countries. Due to the tragic bombing the Chinese Embassy in Belgrade in 1999, Serbia and China further strengthened their relations. Secondly, an important aspect of these relations is also the constant respect of each other's basic interests. Serbia supports China on human rights issues, the situation in the South China Sea, cooperation in building a market economy. Serbia's position is especially valuable to Beijing in light of the disagreement of some EU member states with China over these issues. Serbia also supports China on issues related to Taiwan, Xinjiang and Tibet. In turn, China favors Serbia's diplomatic struggle over Kosovo's sovereignty. In response to changes in the 21st century and the emergence of China as the future economic leader in the world, in 200 ,Serbia outlined the development of strategic relations with China as one of the main goals of its diplomacy. The global financial crisis laid the foundation for further deepening Sino-Serbian relations, as Serbia faced with the problems of finding alternative ways to develop the economy. Serbia occupies a geographically important position between the EU, Southeast Europe and Asia, which makes it a key logistics hub for air, rail, road and water transportation. Thus, Serbia is a potentially valuable link in the Chinese initiative. In the future, China will be able to benefit from this advantageous geographical position, implementing a number of projects. They include the development of transport networks that will not only connect Serbia with various logistics and commercial centers in Central and Southeast Europe, but will also enhance transport and trade flows between West Asia and North

⁹⁹ Ли Манчанг: Највише споразума са Србијом, други љубоморни, *Politika Online*, 2019, online, Internet, 7 Aug. 2019. Available: <http://www.politika.rs/scc/clanak/367192/Li-Mancang-Najvise-sporazuma-sa-Srbijom-drugi-ljubomorni>.

Africa. Chinese investors expect great opportunities to expand their presence in infrastructure, energy, agriculture, communications technology and tourism. This is primarily due to the lack of finance and experience in developing these sectors within Serbia, while the country is committed to the active implementation of development projects. Zhu Lianqi, Economic Advisor at the Chinese Embassy in Belgrade, noted that the total cost of four joint infrastructure projects in Serbia is already higher than in any other CEE country. Nevertheless, the Chinese investors' activities in Serbia are fraught with a number of objective problems. Serbia's internal laws and standards are still not perfect and often not as strict and clear as within the EU. In this situation, in order to minimize investment risks, China needs to strengthen market research. There is also the problem of the negative image of China among Serbian citizens who do not approve of the Chinese development model, which, in their opinion, leads their country to colonial dependence on Beijing. The volume and structure of bilateral trade also remain unsatisfactory: in 2017, it amounted to \$ 550 million, of which China's export amounted to \$ 420 million.

For the next stage of the implementation of the BRI in CEE countries, China needs to move from government declarations to concrete cooperation with all format participants. In implementing the project, China also needs to recognize the priority role of the EU in relation to CEE countries, which will dispel existing concerns and improve relations China with countries in the region. In particular, in order to reduce EU suspicion, China should focus on the implementation of the 2020 EU-China Strategic Cooperation Program. China and CEE countries are currently developing a medium-term cooperation plan, which is believed to bring the interaction of China and CEE to a new, deeper and more strategic level. In turn, this step may cause even more concern on the part of the EU.

China should continue to establish cooperation with 16 CEE countries in non-economic areas to ensure balanced cooperation. For example, cooperation with

small and medium-sized CEE countries in the field of jurisprudence, culture, education and science can not only attract these countries to a more active participation in the project, but also improve its image. This can be achieved through the creation of a special fund for financing cultural and educational exchanges. Everything else holding special conferences, grants for research projects in the implementation of the BRI will help improve public understanding of Chinese culture and values, eliminate prejudice in society and strengthen the cultural soft power of China.

Joint think tanks also play an important role in informal relations between China and the EU. It is noted that in recent years, China and CEE countries have intensified the activities of such centers: since 2012, the Chinese government has allocated about two million yuan a year for the “China-Central and Eastern Europe Relations Research Fund”, which supports academic exchanges and cooperation with both sides. However, it cannot be denied that the academic exchange between China and the CEE countries began late, and the quality, scale and influence are still far from satisfactory.

3.4. Bilateral cooperation between the PRC and the countries of Western and Southern Europe within the OBOR

There is hardly any European country in which the Chinese initiative would not cause controversy in power circles about the true motives, implementation and problems as well as potential opportunities for EU member states and European business. In theory, Western Europe, which is symbolically regarded as the final destination of the BRI and represents the most important market for Chinese goods, should have occupied a major place in the project. However, China’s comprehensive approach to this project does not mean that all EU member states are equally important to it. Within Europe, the main projects under the auspices of the OBOR are actually concentrated in two specific regions: Central and Eastern Europe and the countries of the European Mediterranean. In fact,

the EU countries have quite different opinions about the project. A December 2016 survey of cooperation with China by the European think-tank network on China showed that most Western European governments seem to be “neutral” to it, and some believe that the BRI is not important enough for their country¹⁰⁰. Their participation in the BEP is still limited to membership in the Asian Infrastructure Investment Bank, which formally is not part of the project, but is in fact closely related to its implementation. At the same time, some local or regional authorities, such as the city authorities of Duisburg, Hamburg and Lyon, welcome the initiative as they see a concrete potential benefit in attracting Chinese investment. Various European companies have also responded positively to the new opportunities offered in the field of container terminal construction, railway construction and the provision of logistics services. This applies, for example, to logistics firms in countries such as Poland, Germany and the Netherlands that have direct rail links with China. On the other hand, in some cases, the OBOR-related projects encountered political obstacles. For example, in Greece, the privatization process, which ultimately led to the acquisition by COSCO of a controlling stake in the port of Piraeus, was stopped for more than one year after the left-wing party SYRIZA won the national elections in Greece in early 2015¹⁰¹.

The privatization processes taking place in the public transport sector in some countries of Southern Europe, in turn, open up opportunities for Chinese firms to acquire and invest. COSCO, the largest cargo company in China, and other Chinese shipping companies invest in the ports of Belgium, the Netherlands, Croatia, Slovenia, Italy, Portugal, Spain, Latvia and Lithuania. It is characteristic that these projects were implemented before the announcement of

¹⁰⁰ Agatha Kratz (eds) François Godement, ““One Belt, One Road”: China’s great leap outward”, *ECFR.EU*, 2019, online, Internet, 8 Aug. 2019. Available: https://www.ecfr.eu/publications/summary/one_belt_one_road_chinas_great_leap_outward3055.

¹⁰¹ Helena Smith, “Greece’s port in a storm: anger as Syriza stops China extending hold on Piraeus”, *the Guardian*, 2019, online, Internet, 8 Aug. 2019. Available: <https://www.theguardian.com/world/2015/feb/09/greece-syriza-stops-china-extending-hold-piraeus>.

the initiative and only then were included in it. With the adoption of the “Going Out” policy, China began to actively penetrate European investment markets. Since then, there has been an increase in the number of state enterprises, as well as some private companies investing in the EU. Examples include the Geely-Volvo partnership in Sweden, Zoomlion-Cifa in Italy, Sany-Putzmeister in Germany, Dongfeng Motor-PSA Peugeot Citroen in France. China has also expanded its presence in Eastern and Central Europe by purchasing shares in the Albanian airport of Tirana and the Slovenian airport of Ljubljana. In 2013, the Beijing Construction Engineering Group (BCEG) launched a major £ 800 million project to reconstruct Manchester Airport, the UK’s second largest airport. Thanks to the successful completion of this project, in 2018 BCEG and the Manchester airport group (MAG) announced that they will jointly participate in the reconstruction of Sofia Airport in Bulgaria¹⁰². In some cases, Chinese companies provide logistics services to third parties that are not directly connected with the EU. For example, COSCO Logistics, a subsidiary of COSCO, designed and carried out the transportation of HP components from Foxconn's Chongqing, Central China, overland to Guangdong. From there, they were transported by sea to Piraeus, and then by train to assembly plants in the Czech Republic, which also belong to Foxconn. HP's finished products are then sold throughout Europe. Another subsidiary of COSCO Shipping ports acted as an important link in the transportation of assembly components, as it was she who was responsible for through warehousing and further shipment of products from the Greek port¹⁰³.

A number of BRI-related projects initiated by Europe are also often not officially correlated with the Chinese initiative, despite the fact that they are

¹⁰² BCEG in partnership with MAG for participation in the Sofia Airport concession process, *BCEG*, 2019, online, Internet, 8 Aug. 2019. Available: <https://bcegi.co.uk/2018/10/03/mag-and-bceg-confirm-their-participation-in-sofia-airport-concession-process/>.

¹⁰³ Europe and China’s New Silk Roads / Edited by Frans-Paul van der Putten, *European Think-tank Network on China (ETNC)*, 2019, online, Internet, 8 Aug. 2019. Available: https://www.ifri.org/sites/default/files/atoms/files/etnc_2016-europe_and_chinas_new_silk_roads.pdf.

aimed at strengthening interconnectedness with Beijing. Thus, the Five Ports Alliance, a large container terminal project developed by The North Adriatic Ports Association with the participation of ports in Italy (Venice, Trieste and Ravenna), Slovenia (Koper) and Croatia (Rijeka), seems to be a regional response to OBOR¹⁰⁴. The project aims to create a docking and unloading system through the construction of a giant offshore platform in the port city of Malamocco near Venice, which would allow huge Chinese cargo ships passing through the Suez Canal to unload goods and send them by rail through Germany and Switzerland to Central and North European markets. This project aroused great interest from Italy and China and is funded by the Italian government and the means of the BRI by the Chinese government and Chinese state enterprises. China's interests are more limited in the northern EU countries. There is practically no diplomatic dialogue about the initiative, and little reference to it in the public. Southern Europe is uniquely located at the crossroads of Chinese geopolitical, commercial and investment interests. The Chinese government took an active stance on the Mediterranean countries following the launch of the initiative. As mentioned earlier, the interests and actual participation in the initiative not only vary greatly between EU members, but also vary within each country between different municipalities and regions based on their own logistic and business ties with China. China's greatest activity in Western and Southern Europe observed in 7 countries. The remaining states practically did not take part in the project.

3.4.1. Germany

Among the Western European countries of the EU, China has achieved the greatest progress in bilateral relations with Germany. Germany's trade turnover with China in 2018 increased by 6.7% percent, amounting to \$ 188.9 billion,

¹⁰⁴ Zhang, Hu. The 21st Century Maritime Silk Road and the Leading Function of the Shipping Industry // Rethinking the Silk Road China's Belt and Road Initiative and Emerging Eurasian Relations, 2017. – Tongjin University. – P. 43-57.

compared with \$ 177.2 billion in 2017. In 2018, China remained Germany's largest trading partner for 3 consecutive years, and relations between the two countries are becoming closer¹⁰⁵. In this regard, Germany is considered as a key European participant in the Belt and Road. Between China and Germany signed agreements on cooperation in finance, energy, industry and agriculture, as well as education. Five German-Chinese railway routes (Leipzig-Shenyang, Duisburg-Chongqing, Hamburg-Zhengzhou, Hamburg-Harbin and Nuremberg-Chengdu) have already been put into operation. The railway connection between Duisburg and Chongqing received much attention and active promotion from the two countries' municipalities¹⁰⁶. Investment cooperation between the countries is actively developing: about 30% of German companies operating in China participate or are considering participating in the project. At the same time, only a third of all German companies in China are confident that their investment in this project will have a positive impact on their business. The majority of German investment in OBOR is in the automotive and construction sectors, accounting for almost 40 percent of the total investment. The rest are in sectors such as logistics, energy, business, finance and transportation. 46% of German companies do so as subcontractors or suppliers for Chinese companies. A large number of German companies are located in Taizang, in Jiangsu province in eastern China. The region is known for its access to the Yangtze River Delta and its large population. Since August 2016, Taicang has attracted more than 250 small and medium German companies, which generated revenue of 18.6 billion yuan (\$ 2.72 billion). German companies are planning further investments in Jiangsu, Guangdong, Sichuan and Chongqing. Major Chinese cities such as Shanghai, Beijing, Guangzhou

¹⁰⁵ Си Цзиньпин провел переговоры с президентом Германии Франком-Вальтером Штайнмайером, *Russian.news.cn*, 2019, online, Internet, 14 Aug. 2019. Available: http://russian.news.cn/2018-12/10/c_137664206.htm.

¹⁰⁶ China-Germany Relations: Opportunities Emerge as Investment Ties Grow - China Briefing News, *China Briefing News*, 2019, online, Internet, 14 Aug. 2019. Available: <https://www.china-briefing.com/news/china-germany-relations-opportunities-emerge-investment-ties-grow/>.

and Shenzhen, also remain popular destinations for German investment. There are three joint German-Chinese industrial parks in China. Despite the fact that at the official level they were not assigned to the project, they play an important role in cooperation between large as well as small and medium enterprises that seek to expand their business activity within the project. The parks are located in the following cities¹⁰⁷:

- The Sino-German (Shenyang) Intelligent Equipment Manufacturing Park, important center for advanced engineering; among the partners of the park are such world giants as BMW, Siemens and BASF.
- The Kunshan German Industrial Park, focuses on the development of European and American small and medium enterprises, which offer experience in the field of highly efficient production, science and technology, environmental protection. Leading industries are mechanical engineering, high-quality food and logistics.
- The Sino-German Small and Medium Enterprises Cooperation. By 2020, the park plans to attract more than 100 German enterprises, which is projected to bring 10 billion yuan. In addition to well-developed infrastructure, the population of the region provides the workforce necessary for enterprises based here. Vocational training of local Chinese students in German standards makes the park very attractive for German investors.

However, the problem of the trade deficit between countries, which amounts to about \$ 20 billion, is still obvious. In addition, trains carrying goods from China are usually fully loaded with electronics and other goods, and trains to China often have problems finding sufficient to send the volume of production. A number of steps have been taken to improve the efficiency of this rail transport, but technical details such as cooling systems and temperature fluctuations

¹⁰⁷ Ibid.

during transportation still remain unresolved. Until now, with the exception of railway projects, new investments in infrastructure and projects in Germany have not been implemented and major mergers and acquisitions have not been completed under the BRI. This is due to suspicion on the part of the German government of the true goals of China. So, a debate broke out in 2016 on Chinese deals for the acquisition of technology brands in areas important to national security. As a result, the Chinese company was prohibited from acquiring the semiconductor company Aixtron¹⁰⁸. In this situation, Germany is actively promoting the development of cooperation using the EU-China interaction platform. Germany owns 4.1% vote in the Council of AIIB (the largest figure among EU countries, together holding 20.3% vote).

3.4.2. France

Unlike Germany, France received much less attention from the Chinese government. The volume of trade in 2018 amounted to \$ 55.95 billion (export - \$ 23.23 billion, import - \$ 32.72), and Chinese projects under the BRI are almost invisible. In France China's strategy consists mainly of discussing potential economic opportunities at the annual Paris Forum on the New Silk Road, which became operational in November 2017. Representatives of the largest French and Chinese companies, diplomatic representatives of both countries, as well as members of governments participate in it. Based on the results of the last forum in 2018, a number of projects for joint investments were agreed¹⁰⁹, however, the start date for their implementation remains unclear. The French government lacks a clear position on this topic, which in practice leads to an inconsistent policy. So, during the visit of the Chinese Leader for France

¹⁰⁸ Germany stalls Chinese takeover of Aixtron, citing security worries, *U.S.*, 2019, online, Internet, 14 Aug. 2019. Available: <https://www.reuters.com/article/us-aixtron-m-a-fujian-germany/germany-stalls-chinese-takeover-of-aixtron-citing-security-worries-idUSKCN12O13G>.

¹⁰⁹ Joint Declaration between the People's Republic of China and the French Republic-Belt and Road Portal, *Eng.yidaiyilu.gov.cn*, 2019, online, Internet, 15 Aug. 2019. Available: <https://eng.yidaiyilu.gov.cn/zchi/sbwj/43581.htm>.

in the spring of 2019, Emmanuel Macron invited German Chancellor Angela Merkel and European Commission President Jean-Claude Juncker to a meeting¹¹⁰. This can be seen as an attempt to put pressure on China, which shortly before the meeting concluded a package of agreements under the project with Italy.

On the other hand, in recent years, many French regions and municipalities have taken active steps to promote their local advantages in order to attract Chinese investors. Lyon, playing the role of a historical, commercial and political center in Europe, is looking for opportunities to attract Chinese investment and wide access to the Chinese market. So, the Chongqing Duisburg Express was extended to Lyon in April 2016. The Normandy region is also trying to interest Chinese investors in its deep-water port of Le Havre and its connections with the inland ports of Rouen and Paris. For 2019, 102 pairs of Chinese and French cities and regions established twinning relationships. Spheres such as transport, telecommunications, tourism and pharmaceuticals are open for investment. In connection with the China's proposal to create a Union of twin cities within the BRI, France can significantly expand its participation in the project. Cultural and educational exchanges are actively developing: in 2018, about 40 thousand Chinese students studied in France, more than 100 thousand French schoolchildren and students studied Chinese, and the number of tourists from China who visited France reached a historic record level¹¹¹.

However, ongoing projects are implemented outside the BRI. The only symbolic step was the Silk Road Partnership Agreement, signed in June 2015 between the French shipping company CMA CGM and China Merchants Holdings International. CMA CGM received a \$ 1 billion credit line from

¹¹⁰ Эксперт: визит главы КНР в ЕС показал, что у Запада нет единства в отношениях с Пекином, ТАСС, 2019, online, Internet, 15 Aug. 2019. Available: <https://tass.ru/politika/6275378>.

¹¹¹ Си Цзиньпин опубликовал авторскую статью во французских СМИ, *Russian.news.cn*, 2019, online, Internet, 15 Aug. 2019. Available: http://russian.news.cn/2019-03/23/c_137918291.htm.

China's Export-Import Bank for the purchase of Chinese container ships¹¹². In 2019, the French-associated state of Monaco will become the first foreign testing zone for the deployment of 5G networks by the Chinese telecommunications giant Huawei¹¹³. However, this is considered by Western countries (in particular the USA) as China's attempt to set up surveillance on European countries.

3.4.3. Britain

Although Brexit's influence is still not well defined, the UK's participation as a major European country in the project remains confirmed. The geographical boundaries of the initiative did not prevent the UK government and business from actively responding to it. A good demonstration of this desire is that Great Britain became the first European country to join the AIIB in March 2015. This can be seen as a political message in support of the Beijing-led organization, which the UK considers useful for the long-term economic development of Asia and Europe. By the year 2018 China remains the country's third largest importer with a volume of \$ 59.52 billion, but Britain's exports (\$ 26.02 billion) are almost 2 times less than imports, indicating a significant trade deficit.

The main logic underlying the desire to participate in the project is the opportunities that it can provide to British companies and the financial sector services. This became especially urgent during the Brexit, the influence of which can negatively affect the country's trade and investment sphere in the future. In 2015 The Sino-British Business Council issued a report entitled "One Belt, One Road", which identified key opportunities in several sectors of the

¹¹² CMA CGM to sign \$1 billion financing agreement with China Ex-Im Bank, *Joc.com*, 2019, online, Internet, 15 Aug. 2019. Available: https://www.joc.com/maritime-news/container-lines/cma-cgm/cma-cgm-sign-1-billion-financing-agreement-china-ex-im-bank_20150630.html.

¹¹³ Сеть 5G появится в Монако летом 2019 г., *ИА Regnum*, 2019, online, Internet, 15 Aug. 2019. Available: <https://regnum.ru/news/2638659.html>.

economy¹¹⁴. In 2016, the council, in cooperation with Tsinghua University, prepared another report on the cooperation of British and Chinese companies in the field of design, construction and consulting¹¹⁵. Great Britain's such an active attitude indicates the primacy that it gives to economic and commercial diplomacy, as well as its pragmatic response to the growing influence of China in world affairs. In October 2015, President Xi Jinping visited the United Kingdom and mentioned the "golden era" of relations between the two countries¹¹⁶. During the visit both countries not only reiterated their desire to strengthen financial cooperation, but also agreed on China's investment in the construction of a Hinkley Point nuclear power plant in western Britain, as well as the installation of the Hualong One Chinese nuclear reactor near Bradville, in eastern Britain. The 12,000 km Yiwu-London railway route was commissioned in 2017, making London the 15th European city connected by rail to China.

3.4.4. Italy

As of 2019, the country has the lowest economic growth rates in the last 10 years. According to the report of the European Commission on the economic growth of the EU member states in 2019, Italy takes the last place with a rate of 0.2%¹¹⁷. Due to insufficient EU attention to the country's problems, Italy is forced to look for alternative incentives for the development of its economy. Such a stimulus could be the Chinese project. Since 2013, trade between countries has increased from \$ 32.87 billion to \$ 49.03 billion in 2018. Italy is interested in closer cooperation with China, and therefore, despite

¹¹⁴ One Belt One Road // China-Britain business council, *Cbbc.org*, 2019, online, Internet, 17 Aug. 2019. Available: <http://www.cbbc.org/resources/one-belt-one-road/>.

¹¹⁵ China-Britain belt and road case studies report: global partnerships in action // China Britain business council, *Cbbc.org*, 2019, online, Internet, 17 Aug. 2019. Available: http://www.cbbc.org/cbbc/media/cbbc_media/4.%20Files/China-Britain-Belt-and-Road-Case-Studies-Report.pdf.

¹¹⁶ Xi Jinping visit: UK-China ties 'will be lifted to new height, *BBC News*, 2019, online, Internet, 17 Aug. 2019. Available: <http://www.bbc.com/news/uk-34571436>.

¹¹⁷ European Economic Forecast 2019, *Ec.europa.eu*, 2019, online, Internet, 26 Aug. 2019. Available: https://ec.europa.eu/info/sites/info/files/economy-finance/ip102_en.pdf.

disagreements between the left-wing party Five Stars and the far-right League it became the first G-7 country in 2019 to sign a memorandum of understanding on the implementation of the BRI. Italy also ignored Washington, Brussels, Berlin and Paris's clear discontent. The memorandum of understanding between Italy and China includes 29 separate sections on cooperation in the banking sector, construction and development of ports, and export of agricultural products, media, science and technology, and even the return of China's cultural artifacts that are stored in Italy¹¹⁸.

Among other signed agreements, two port infrastructure development deals between China Communications Construction and Trieste, as well as the largest the port of Italy is Genoa are notable. Officially, the amount of transactions is not reported, but according to the Reuters news agency, the cost can reach 20 billion euros. While Genoa is less in need of, Trieste has the greatest potential for Chinese investment. The port is strategically important for China, as it provides a link between the Mediterranean and landlocked countries such as Austria, Hungary, Czech Republic, Slovakia and Serbia. Although the parties did not give any details on the development and management of the ports, European countries have openly criticized Chinese investment activity in the region because of concerns that they might be used to deploy naval forces. Chinese warships have already entered to the port of Piraeus, the largest seaport in Greece, a controlling stake in which belongs to the Chinese company Cosco Shipping.

French President Emmanuel Macron stated that EU has made a strategic mistake by allowing Chinese companies to acquire shares in European ports¹¹⁹. Due to pressure from the USA and other EU countries, Italy crossed out a

¹¹⁸ Италия поддержала инициативу Китая «Один пояс — один путь», ЭКД, 2019, online, Internet, 26 Aug. 2019. Available: <http://ekd.me/2019/03/italiya-podderzhala-iniciativu-kitaya-odin-poyas-odin-put/>.

¹¹⁹ Italy joining China's Belt and Road Initiative highlights different approaches of Europe and the US on Asia policy, *South China Morning Post*, 2019, online, Internet, 26 Aug. 2019. Available: <https://amp.scmp.com/comment/insight-opinion/article/3004114/italy-joining-chinas-belt-and-road-initiative-highlights>.

number of agreements from the original draft memorandum. The agreements on data exchange, development of 5G telecommunication networks and strategic infrastructure were excluded. The United States continues to put pressure on European countries in its desire to prevent the development of 5G technology from Huawei in Western countries. Another move that caught the attention of some Italian political and business leaders was the takeover of the Italian tire manufacturer Pirelli by China National Chemical and the Silk Road Fund in 2015¹²⁰.

3.4.5. Portugal

Due to its strategic position, Portugal occupies a special place in China's strategy for the implementation of the Maritime Silk Road. Despite the fact that the trade volume between the countries is rather small (\$ 3.24 billion), China is constantly increasing investment cooperation. In the framework of the “Go Global” policy, China began to actively penetrate Portuguese market. In particular, in 2011 the Chinese state corporation Three Gorges bought back a 2.7% stake in the largest country's energy company Energias de Portugal (EdP). In June 2014, EdP CEO Joao Marquez Cruz said that thanks to this deal, his company is interested in collaborating with CTG in the Brazilian or African market. Three months later China's state-owned electricity grid invested 1.4 billion euros in a 25% stake in Redes Energéticas Nacionais (REN), the national electricity grid operator, and Huawei invested 10 million euros in technology center in Portugal. For the private sector, based in Shanghai private conglomerate Fosun International spent € 1 billion in 2014 to acquire 80% of Caixa Seguros Saúde, Portugal's largest insurance company, and acquired Espírito Santo Financial Group hospital business for 460.5 million euros. In 2016, the Chinese delegation from the port city of Ningbo Zhoushan, which is

¹²⁰ ChemChina to buy into Italian tire maker Pirelli in \$7.7 billion deal, *Reuters*, 2019, online, Internet, 26 Aug. 2019. Available: <https://www.reuters.com/article/us-pirelli-chemchina-idUSKBN0MI0PQ20150323>.

the fifth largest in the world in terms of congestion, visited the port of Sinus in search of investment opportunities, however, no specific statements were made as a result of this visit¹²¹.

In 2018, the PRC leader successfully convinced the country to join the BRI. The agreements signed in Lisbon include the construction of a new container terminal in the deepwater port of Sines in southern Portugal¹²². Many words were also spoken about similar deals in the port of Praia de Vitoria, which is located on the strategic Azores, near the military air base Laztech, where the planes of the United States and Portugal are located. Chinese investors are actively participating in the Portuguese government's privatization policy. Moreover, these investments are strategic, because Portugal can help China enter the markets of Africa and Latin America due to its ties with the former colonies.

3.4.6. Spain

China is Spain's third largest importer (\$ 25.24 billion), but exports are relatively small at \$ 6.9 billion. The main part of cooperation is carried out in the field of maritime infrastructure: in 2017 the Chinese company COSCO Shipping acquired a 51 percent stake in the large Spanish marine terminal Noatum Ports located in Valencia. This is one of the busiest seaports in Europe, which accounts for a significant portion of the country's GDP. Sun Kai, CEO of Noatum Ports, said the port's strategic geographical location, production facilities, and modern operating systems make it a key link from Asia to Europe¹²³. In the same year, a memorandum of understanding was also signed

¹²¹ Rethinking the Silk road: China's Belt and Road initiative and Emerging Eurasian relations / Edited by Maximilian Mayer. – Tongji: Tongji University, 2018. – P. 169.

¹²² Portugal: the latest to be seduced by China's Belt and Road, *European-views.com*, 2019, online, Internet, 26 Aug. 2019. Available: <https://www.european-views.com/2018/12/portugal-the-latest-to-be-seduced-by-chinas-belt-and-road/>.

¹²³ Noatum Ports to boost China-Spain maritime cooperation, *News.cgtn.com*, 2019, online, Internet, 26 Aug. 2019. Available: https://news.cgtn.com/news/3d3d414f34516a4e79457a6333566d54/share_p.html.

between the Instituto de Credito Oficial and the Bank of China, and another one between the port of Algeciras in Spain and the Chinese Ningbo Zhoushan Port Group. COSCO Shipping also operates the port of Bilbao, the gateway to Europe for ships crossing the North Atlantic. Everything else, Madrid is the final destination of the longest railway in the world (13 thousand km.) Iu-Madrid. However, at the official level, the Government of Spain made it clear that it is not yet considering participation in Chinese initiative. The refusal of Spain is explained by the fact that it will seek to develop its interconnectedness with Asia in the framework of the EU programs.

3.4.7. Netherlands

The Netherlands is one of China's largest trading partners in the EU. The trade volume in 2018 amounted to \$ 107.82 billion (import - \$ 95.26 billion, export - \$ 12, 45 billion respectively). Imports from China make up 1/3 of all goods arriving at the port of Rotterdam, which is the key point of all trade flows in the country. Thanks to the opening of new direct air routes between Schiphol and China, it was possible to increase the growth in air traffic between the Netherlands and several Chinese cities. However, during his first visit to the Netherlands in March 2014, the head of the People's Republic of China never mentioned the OPOP, while on a visit to Germany the same year, he called for Sino-German cooperation to expand the Silk Road. Nevertheless, some companies are actively promoting projects related to the BRI. These include the acquisition by China COSCO Shipping of a 35% stake in the Euromax terminal in Rotterdam in May 2016¹²⁴, as well as the opening in April 2016 of a new route between Chengdu and Tilburg, which was further extended to Rotterdam in September 2016. Trains from Chengdu carry Sony, Samsung and Fuji consumer electronics, while trains from Tilburg transport goods for oil industry,

¹²⁴ COSCO Pacific Ltd acquires 35% stake in Euromax Terminal, *Chinadaily.com.cn*, 2019, online, Internet, 26 Aug. 2019. Available: http://www.chinadaily.com.cn/business/2016-05/12/content_25231794.htm.

cars, wine and wood. In July 2016, three Dutch transport companies established a joint venture New Silkway Logistics (NSWL), providing services for the transport of goods by rail Duisburg-Chongqing.

In the rest of Europe, China's activity on the BRI is almost invisible. This once again testifies to the election strategy of the Chinese government in the implementation of its large-scale project, despite statements from Beijing on a comprehensive approach.

CONCLUSION

The thesis attempted to answer the question “What is behind the OBOR Initiative?”

In the first chapter, a look was taken at the theoretical lens and the realist IR school of thought was chosen as the adequate theory due to it helps to answer research questions regarding China's behaviour.

The second chapter analyzes the characteristics of the Belt and Road. The first sub-chapter is devoted to the study of the key stages in the establishment and development of the BRI. The second sub-chapter analyzes the strategic motives for the implementation of the initiative. The third sub-chapter is devoted to the main problems of the project.

The third chapter covers the cooperation practices between China and Europe within the BRI. The first sub-chapter reviews the dynamics of political, trade and economic relations between the EU and China until 2013. The second sub-chapter discusses the specifics of interaction within the initiative at the EU-PRC level. The third sub-chapter is devoted to the analysis of cooperation between China and the countries of Central and Eastern Europe in the “16 + 1” format. The fourth sub-chapter examines the bilateral interaction between China and the countries of Western and Southern Europe in the framework of the OBOR.

Following the collapse of the bipolar system China for 30 years has transformed from a developing economy into a leading industrial power, which is rightfully considered the second economy in the world. China's increased needs and capabilities demanded the development of new geo-economic strategies, which was reflected in the emergence of the Belt and Road project. Nominated by President Xi Jinping in 2013, today the OBOR sets the main vector for the development of China's foreign policy. During the study the main motives for the establishment of the project were identified, most of which are associated with the economic development of country's western provinces, in particular

Xinjiang, as well as with specific threats to economic security from the United States. Based on Chinese capital, the project covers almost all areas of economic cooperation and contributes to the transformation of Chinese investment potential into one of the largest in the world. The opportunity to receive Chinese investments and the willingness of the PRC to provide them as part of joint projects makes the BRI attractive for many countries, both developed and developing, which are more acute in their lack of capital. The main investment flow falls on the infrastructure development, since, according to the Chinese authorities, it is the "framework" of the entire project. China has created a number of financial institutions in order to implement projects in the BRI countries, including the Silk Road Fund with a total capital of \$ 80 billion, as well as the Asian Infrastructure Investment Bank with a registered capital of \$ 100 billion. In 2013–2018 China's direct investment and contract work in countries along the Belt and Road exceeded \$ 90 billion and \$ 400 billion respectively¹²⁵.

Despite China's optimistic attitude towards the implementation of the BRI, there are specific problems of a political and economic nature that slow down cooperation processes. At the same time, India, Japan and the United States see the project as a threat to their regional interests and seek to prevent expansion of Chinese influence.

Europe continues to be a key area of cooperation within the BRI. In 2016, the volume of Chinese foreign direct investment in the EU reached its historic maximum, amounting to 37.2 billion euros¹²⁶. The main sectors for Chinese FDI are transport and information technology. However, China's growing presence in European markets is a matter of concern to member governments as well as EU institutions. This is primarily due to incomplete understanding of the

¹²⁵ The Belt and Road Initiative Progress, Contributions and Prospects, *Yidaiyilu.gov.cn*, 2019, online, Internet, 27 Aug. 2019. Available: <https://eng.yidaiyilu.gov.cn/zchj/qwfb/86739.htm>.

¹²⁶ Chinese FDI in Europe: 2018 trends and impact of new screening policies, *Rhodium group*, 2019, online, Internet, 27 Aug. 2019. Available: https://www.merics.org/sites/default/files/2019-03/190311_MERICS-Rhodium%20Group_COFDI-Update_2019.pdf.

Chinese strategy for the implementation of the project and the true motives for its appearance. In practice, this has led to a tightening of national legislation in the field of foreign investment. In 2017-2018 some European countries have tightened control over foreign mergers and acquisitions, especially in areas directly related to national security. Certain transactions between Chinese and European companies that would provide investors from China with access to technology, confidential information or strategically important infrastructure were suspended or canceled. These steps led to a reduction in Chinese investment in 2017-18 for 40% compared to 2016. In March 2019, the EU launched a new system to monitor foreign investment at a pan-European level, which is likely to lead to further review of legislation within member countries and will strengthen coordination between the European Commission and national governments in the field of FDI regulation¹²⁷. Despite the decline in FDI, China continues to actively increase cooperation with Europe. Collaboration on the OPOR project is carried out at three levels: in the format of EU-PRC summits, in the framework of bilateral cooperation with individual European countries that are of most interest to China, as well as through the CEE 16 + 1 mechanism. An analysis of the dynamics of cooperation at all three levels showed that China's greatest activity in the implementation of the BRI is manifested in the framework of cooperation with individual European countries, while the multilateral formats are used by the PRC as a platform for promoting bilateral initiatives. It is expected that a negative reaction from the EU and those countries of Europe that are less involved in the project will force China to reconsider its approach to cooperation.

In conclusion, evidences in the research suggest that the realist perspective is more coherent in assessing China's motivations behind the OBOR initiative.

¹²⁷ REGULATION (EU) 2019/452 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union, *Eur-lex.europa.eu*, 2019, online, Internet, 27 Aug. 2019. Available: <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R0452&from=EN>.

Political and economic evidences suggest that the OBOR initiative aims to bring European countries under China's sphere of influence initially by mutual growth and win-win cooperation, then creating market dependencies as well as establishing Chinese overseas bases along the economic routes, and newly conceived financial institutions aim to challenge the international order.

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